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THE PHYSICIAN'S INVESTMENT

NEW TREATMENT OF HYPERTENSION

Complete Contents on Page iv

FOR PERSISTENT INFECTIONS

CHLOROMYCETIN®

COMBATS MOST CLINICALLY IMPORTANT PATHOGENS

Acquired resistance seldom imposes restrictions on antimicrobial therapy when CHLOROMYCETIN (chloramphenicol, Parke-Davis) is selected to combat gram-negative pathogens involving enteric and adjacent structures of the urinary tract. The acknowledged effectiveness with which CHLOROMYCETIN suppresses highly invasive staphylococci[1-9] extends to persistently pathogenic coliforms.[6,10-15] Experience with mixed groups of Proteus species, for example, "...shows chloramphenicol to be the drug of choice against these bacilli..."[15]

CHLOROMYCETIN is a potent therapeutic agent and, because certain blood dyscrasias have been associated with its administration, it should not be used indiscriminately or for minor infections. Furthermore, as with certain other drugs, adequate blood studies should be made when the patient requires prolonged or intermittent therapy.

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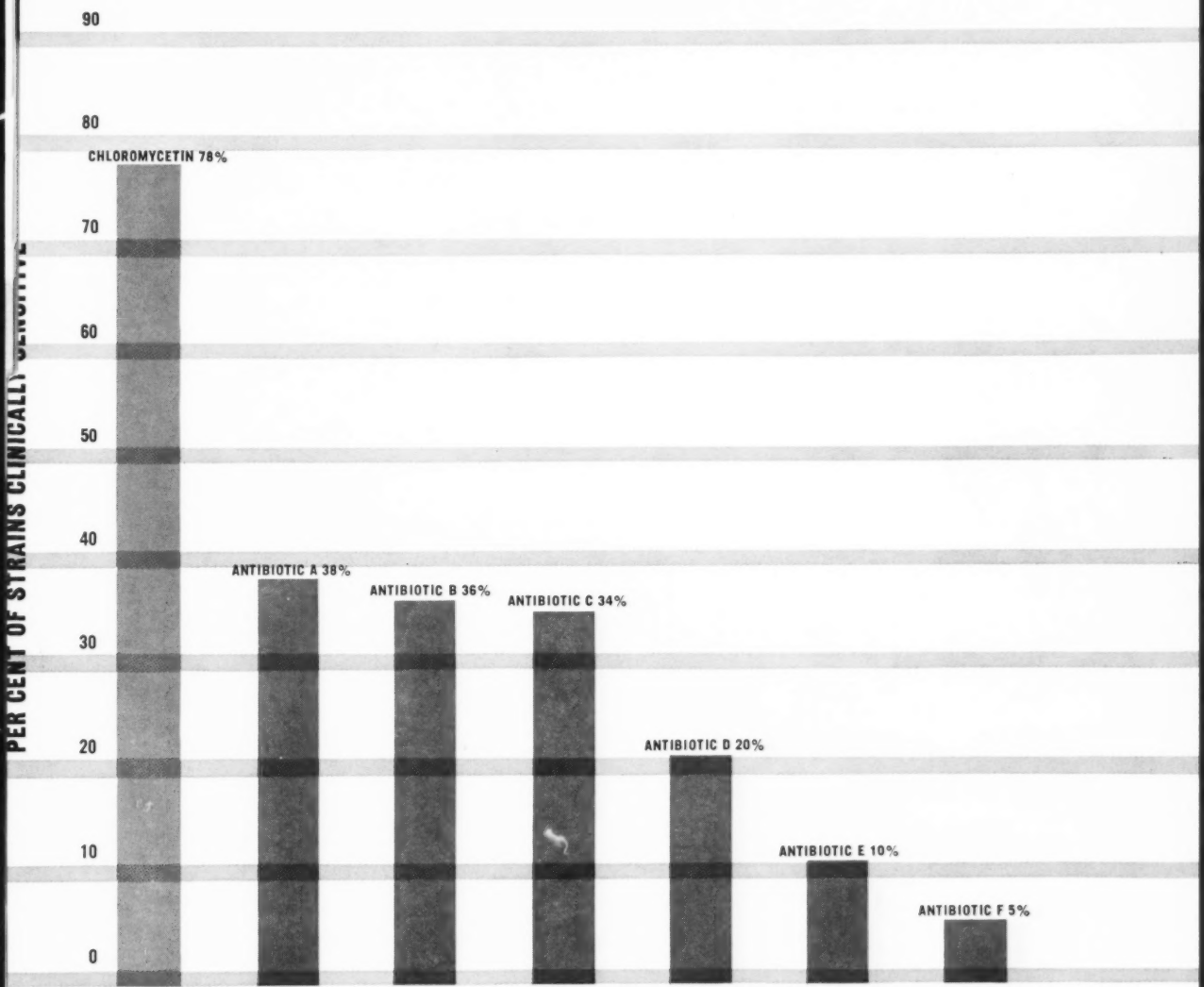
COMPARATIVE SENSITIVITY OF MIXED PROTEUS SPECIES TO CHLOROMYCETIN AND SIX OTHER WIDELY USED ANTIBIOTIC AGENTS*



*This graph is adapted from Waisbren and Strelitzer.[15] It represents *in vitro* data obtained with clinical material isolated between the years 1951 and 1956. Inhibitory concentrations, ranging from 3 to 25 mcg. per ml., were selected on the basis of usual clinical sensitivity.

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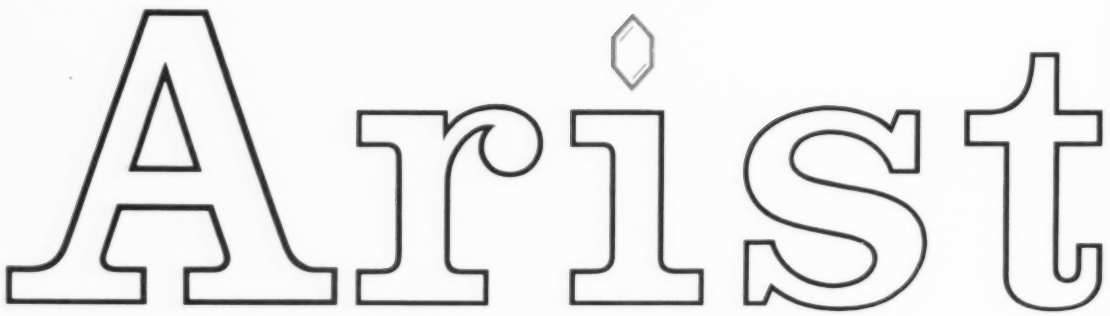
CONTENTS

INDEX OF ADVERTISERS

Lederle announces a major drug with great new promise



a new corticosteroid created to minimize the
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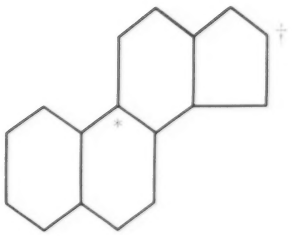

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- **a new high** in anti-inflammatory effects with lower dosage (averages 1/3 less than prednisone)
- **a new low** in the collateral hormonal effects associated with all previous corticosteroids
  - No sodium or water retention
  - No potassium loss
  - No interference with psychic equilibrium
  - Lower incidence of peptic ulcer and osteoporosis

Biological Effects of Aristocort

with particular emphasis on:

Kidney function

Animal studies on ARISTOCORT[1] have not demonstrated any interference with creatinine or urea clearance. Autopsy surveys of organs of animals on prolonged study of this medication have shown no renal damage.

Sodium and water

ARISTOCORT produced an increase of 230 per cent of water diuresis and 145 per cent sodium excretion when compared to control animals.[1] Metabolic balance studies in man revealed an average negative sodium balance of 0.8 Gm. per day throughout a 12-day period on a dosage of 30 mg. per day.[2] Additional balance studies showed actual sodium loss when ARISTOCORT was given in doses of 12 mg. daily.[3] Other investigators observed significant losses of sodium and water during balance studies and that those patients with edema from some older corticosteroids lost it when transferred to ARISTOCORT.[4,5] In two studies of various rheumatic disorders (194 cases) on prolonged treatment, sodium and water retention was not observed in a single case.[6,7]

Potassium and chlorides

There was no active excretion of potassium or chloride ions in animals given maintenance doses of ARISTOCORT 25 times that found to be clinically effective.[1] Potassium balance studies in humans[2,3] revealed that negative balance did not occur even with doses somewhat higher than those employed for prolonged therapy in rheumatoid arthritis. Hypokalemia, hyperkalemia or hypochloremia did not occur, when tested, in 194 patients with rheumatoid arthritis treated for up to ten and one-half months.[6,7]

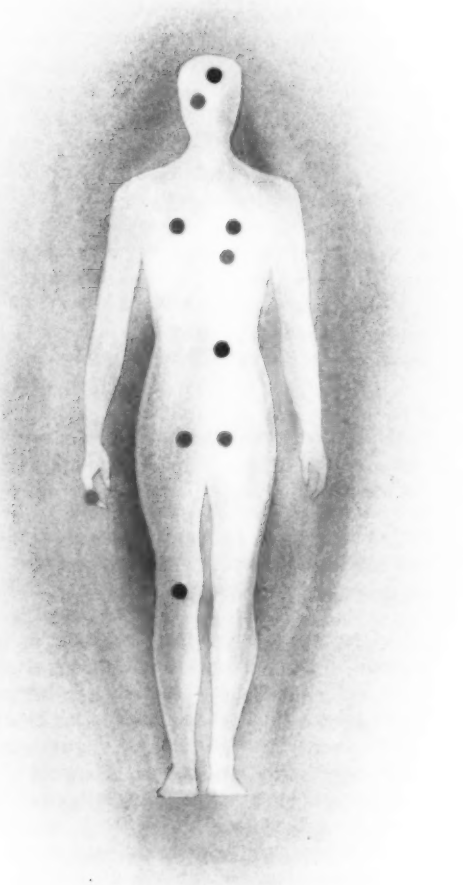
Calcium and phosphorus

Phosphate excretion in animals[1] was not changed from normal even with amounts 25 times greater (by body weight) than those known to be clinically effective. Human metabolic balance studies[3] demonstrated that no change in calcium excretion occurred on dosages usually employed clinically when the compound is administered for its anti-inflammatory effect. Even at a dosage level twice this, slight negative balance appeared only during a short period.

Protein and nitrogen balance

Positive nitrogen balance was maintained during a human metabolic study on maintenance dosage of 12 mg. per day.[3] At dosages two to three times normal levels, positive balance was maintained except for occasional short periods in metabolic studies of several weeks' duration.[2,3]

There was always a tendency for normalization of the A/G ratio and elevation of blood albumin when ARISTOCORT was used in treating the nephrotic syndrome.[8]



Liver glycogen deposition and inflammatory processes

An intimate correlation exists between the ability of a corticosteroid to cause deposition of glycogen in the liver and its capacity to ameliorate inflammatory processes.

In animal liver glycogen studies, relative potencies of ARISTOCORT over cortisone of up to 40 to 1 have been observed. Compared to ARISTOCORT, five to 12 times the amount of prednisone is required to produce varying but equal amounts of glycogen deposition in the liver.[1]

Most patients show normal fasting blood sugars on ARISTOCORT. Diabetic patients on ARISTOCORT may require increased insulin dosage, and occasional latent diabetics may develop the overt disease.

Anti-inflammatory potency of ARISTOCORT was determined by both the asbestos pellet[1] and cottonball[9] tests. It was found to be nine to 10 times more effective than hydrocortisone in this respect.

Gastric acidity and pepsin

The precise mode of ulcerogenesis during treatment with corticosteroids is not known. There is much experimental evidence for believing this may be related to the tendency of these agents to increase gastric pepsin and acidity—and this cannot be abolished by vagotomy, anticholinergic drugs or gastric antral resection.[10] Clinical studies[11] of patients on ARISTOCORT revealed that uropepsin excretion is not elevated. Further, their basal acidity and gastric response to histamine stimulation were within normal limits.

Central nervous system

The tendency of corticosteroids to produce euphoria, nervousness, mental instability, occasional convulsions and psychosis is well known.[12] The mechanism underlying these disturbances is not well understood.

ARISTOCORT, on the contrary, does not produce a false sense of well being, insomnia or tension except in rare instances. In the treatment of 824 patients, for up to one year, not a single case of psychosis has been produced. In general, it appears to maintain psychic equilibrium without producing cerebral stimulation or depression.

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Lederle

The Promise of Aristocort in Reduction of Side Effects

It is axiomatic to affirm that the undesirable collateral hormone effects of corticosteroids increase in frequency and severity the higher the dosage and the longer used.

It has also become well recognized that the most serious of the major side effects from long-term corticosteroid treatment are peptic ulcers, osteoporosis with fracture, drug psychosis and euphoria, and sodium and water retention leading often to general tissue edema and hypertension.

It is significant that of the close to 400 patients on the lower dosage schedules found effective in bronchial asthma and dermatologic conditions, only 1 case of peptic ulceration has developed. No other of the above side effects have been observed even though ARISTOCORT was administered continuously to them for periods as long as one year.

The treatment of rheumatoid arthritis with steroids appears to result in the highest incidence of side effects. For this reason, the side effects associated with ARISTOCORT therapy in 292 patients with rheumatoid arthritis are below compared to the reported incidence of those from prednisone and prednisolone.

Peptic Ulcer

The most recent study available on the incidence of peptic ulceration in patients with rheumatoid arthritis on long-term prednisone therapy reported 12 ulcers in 49 cases (24 per cent).[1] Lowest incidence of 6.5 per cent has been recorded in a group of patients on this drug for six to nine months.[2] Four of six ulcers, in another series of 39 patients on prednisone,[3] appeared in less than three months of therapy.

The occurrence of peptic ulcer in 292 patients with rheumatoid arthritis treated continuously for up to one year with ARISTOCORT is approximately 1 per cent (2 of the 3 occurred in patients transferred from prednisone). In the remaining 532 cases recently analyzed, only one ulcer has been discovered in a patient who apparently had no ulcer when he was changed from another steroid.

Osteoporosis and Compression Fractures

The incidence of compressed fractures of vertebrae—and to a lesser extent in other bones—is high in patients on prolonged therapy with all previous corticosteroids.[4] One group of 49 patients[1] on long-term prednisone treatment experienced nine vertebral fractures (18 per cent); another series of 39 developed eight fractures (20 per cent),[3] four to 15 months after the beginning of steroid administration.

The occurrence of osteoporosis with compression fracture in 292 patients with rheumatoid arthritis treated continuously for up to one year with ARISTOCORT is 0.33 per cent (1 case[5]). Although these results are encouraging, determination of the true incidence of osteoporosis will have to await the passage of more time.

Euphoria and Psychosis

The euphoria so commonly produced by all previous corticosteroids has seemed a most desirable attribute to patients. In penalty, however, they have often later to pay for this by mental disturbances, varying from mild and transitory to severe depression and psychosis,[4] and toxic syndromes producing even convulsions and death.[6]

Since the onset of these complications is not directly related to duration of steroid administration,[7] the fact that not one case of psychosis occurred in 824 patients treated with ARISTOCORT, is most encouraging.

Sodium Retention—Hypertension-Potassium Depletion

When 17 patients were changed from prednisone to ARISTOCORT, 11 rapidly lost weight although only one had had visible edema.[8] Sodium and water retention, hypokalemia or hyperkalemia and steroid hypertension did not appear in 194 rheumatoid arthritis patients treated with ARISTOCORT.[5,9]

The interrelation between blood and body sodium, and steroid hypertension has long been generally appreciated.[10,11] Except in rare instances, or when unusually high doses are used (e.g., leukemia), the problem of edema and hypertension caused by sodium and water retention, has been eliminated with ARISTOCORT.

Minor Side Effects

Collateral hormonal effects of less serious consequence occurred with approximately the same frequency as with the older corticosteroids.[5] These include erythema, easy bruising, acne, hypertrichosis, hot flashes and vertigo. Several investigators have reported symptoms not previously described as occurring with corticosteroid therapy, e.g., headaches, lightheadedness, tiredness, sleepiness and occasional weakness.

Moon facies and buffalo humping have been seen in some patients on ARISTOCORT. However, ARISTOCORT therapy, in many instances, resulted in diminution of "Cushingoid" signs induced by prior therapy. Where this occurs, it may be related to reduced dosage on which patients can be maintained.

Reduction of dosage by one-third to one-half

In a double-blind study of comparative dosage in patients with rheumatoid arthritis,[12] 70 per cent of the cases were as well controlled on a dose of ARISTOCORT one-half that of prednisone. A general recommendation can be made that ARISTOCORT be used in doses two-thirds that of prednisone or prednisolone in the treatment of rheumatoid arthritis. There are individual variations, however, and each patient should be carefully titrated to produce the desired amount of disease suppression.

Comparative studies, of patients changed from prednisone, indicate reduced dosage of ARISTOCORT in bronchial asthma and allergic rhinitis (33 per cent),[8] and in inflammatory and allergic skin diseases (33-50 per cent).[13,14]

General Precautions and Contraindications

Administration of ARISTOCORT has resulted in a lower incidence of the major serious side effects, and in fewer of the troublesome minor side effects known to occur with all previously available corticosteroids. However, since it is a highly potent glucocorticoid, with profound metabolic effects, all traditional contraindications to corticosteroid therapy should be observed.

No precautions are necessary in regard to dietary restriction of sodium or supplementation with potassium.

Since ARISTOCORT has less of the traditional side effects, the appearance of sodium and water retention, potassium depletion, or steroid hypertension cannot be used as signs of overdosage. As a rule patients will lose some weight during the first few days of treatment as a result of urinary output, but then the weight levels off.

Patients do not develop the abnormally voracious appetite common to previous corticosteroid administration. In fact, some patients experienced anorexia, and it is advisable to inform patients of this and to recommend they maintain a normal intake of food, with emphasis on liberal protein intake.

While precipitation of diabetes, peptic ulcer, osteoporosis, and psychosis can be expected to appear rarely from ARISTOCORT, they must be searched for periodically in patients on long-term steroid therapy.

Traditional precautions should be observed in gradually discontinuing therapy, in meeting the increased stress of operation, injury and shock, and in the development of intercurrent infection.

There is one overriding principle to be observed in the treatment of any disease with ARISTOCORT. *The amount of the drug used should be carefully titrated to find the smallest possible dose which will suppress symptoms.*

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The Promise of Aristocort in Rheumatoid Arthritis

ARISTOCORT *therapy has been intensely and extensively studied for periods up to one year on 292 patients with rheumatoid arthritis.*

Significant is the fact that most patients were *severe* arthritics, transferred to ARISTOCORT from other corticosteroids because satisfactory remission had not been attained, or because the seriousness of collateral hormonal effects had made discontinuance desirable.

Results of treatment

Freyberg and associates[1] treated 89 patients with rheumatoid arthritis (A. R. A. Class II or III and Stage II or III). Of these, 51 were on ARISTOCORT therapy from three to over 10 months. In all but a few patients, satisfactory suppression of rheumatoid activity was obtained with 10 mg. per day. Thirteen were controlled on 6 mg. or less a day, and for periods to 180 days. The investigators reported therapeutic effect in most cases to be A. R. A. Grade II (impressive) and that marked reduction in sedimentation rates occurred.

Another interesting observation in this study: Of the 89 patients treated, 12 had active ulcers, developed from prior steroid therapy. *In six patients, the ulcers healed while on doses of* ARISTOCORT *sufficient to control arthritic symptoms.*

Hartung[2] treated 67 cases of rheumatoid arthritis for up to 10 months. He found the optimum maintenance dose to be 11 mg. per day. Nineteen of these patients were treated for six to 10 months with an "excellent" therapeutic response.

Dosage and course of therapy

The initial dosage range recommended is 14 to 20 mg. per day—depending on the severity and acuteness of signs and symptoms. Dosage is divided into four parts and given with meals and at bedtime. Anti-rheumatic effect may be evident as early as eight hours, and full response often obtained within 24 hours. This dosage schedule should be continued for two or three days, or until all acute manifestations of the disease have subsided, whichever is later.

The maintenance level is arrived at by reduction of the total daily dosage in decrements of 2 mg. every three days. The range of maintenance therapy has been found to be from 2 mg. to 15 mg. per day—with only a very occasional patient requiring as much as 20 mg. per day. Patients requiring more than this should not be long continued on steroid therapy.

The aim of corticosteroid therapy in rheumatoid arthritis is to suppress the disease only to the stage which will enable the patient to carry out the required activities of normal living or to obtain reasonable comfort. The maintenance dose of ARISTOCORT to achieve this end is arrived at while making full use of all other established methods of controlling the disease.

ARISTOCORT is available in 2 mg. scored tablets (pink); 4 mg. scored tablets (white). Bottles of 30.

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Lederle

what are the differences among tranquilizers ?

Reviews of ataraxic therapy commonly divide the available tranquilizers into three main categories: the rauwolfia derivatives; the phenothiazine compounds; and a smaller group of agents which are lumped together for the sake of convenience rather than because of any common characteristic.

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2. ATARAX is therapeutically different. ATARAX is characterized by unique cerebral specificity. On ATARAX, the patient retains full consciousness of incoming stimuli—their nature and their intensity—but his reactions are those of a well-adjusted person. He is neither depressed nor torpid, and his reflexes remain normal, as does cortical function. Thus ATARAX induces a calming peace-of-mind effect without disturbing mental alertness.

3. ATARAX is, perhaps, the safest ataraxic known. It is outstandingly well tolerated. Every clinical report confirms this fact.* After more than 150 million doses, there has not been a single report of toxicity, blood dyscrasia, parkinsonian effect, liver damage, or habituation.

4. ATARAX is unusually flexible. This lack of toxicity makes it possible to adjust ATARAX dosage to virtually any patient need. In the lowest range, children respond well to 10 mg. or one teaspoonful of syrup t.i.d., while anxious adults usually are treated with 25 mg. q.i.d. Yet, if needed, the dosage can safely be raised: in more severe disturbances, dosages up to 1,000 mg. daily have been administered without adverse reactions.

In reviewing your own experience with tranquilizers, remember that ATARAX is in a class by itself; that you cannot judge it by your results with any other drug. To get to know ATARAX at first hand, prescribe it for the next four weeks whenever a tranquilizer is indicated. See for yourself how it compares.

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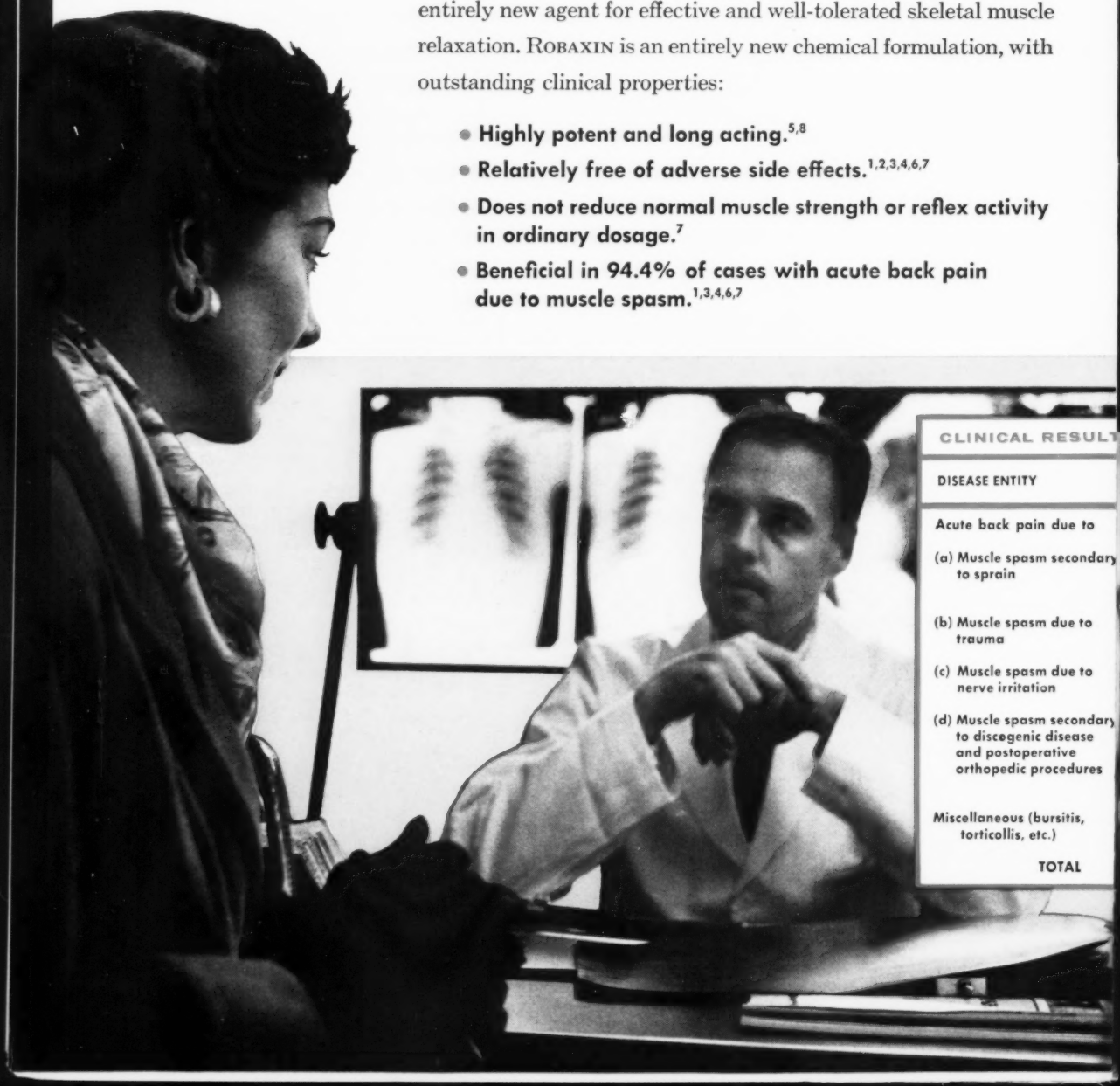
- **Does not reduce normal muscle strength or reflex activity in ordinary dosage.**[7]
- **Beneficial in 94.4% of cases with acute back pain due to muscle spasm.**[1,3,4,6,7]



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ITH ROBAXIN IN ACUTE BACK PAIN[1,3,4,6,7]

. OF SES	DURATION OF TREATMENT	DOSE PER DAY (divided)	RESPONSE marked	mod.	slight	neg.	SIDE EFFECTS
3	2-42 days	3-6 Gm.	17	1	0	0	None, 16 Dizziness, 1 Slight nausea, 1
3	1-42 days	2-6 Gm.	8	1	3	1	None, 12 Nervousness, 1
5	4-240 days	2.25-6 Gm.	4	1	0	0	None, 5
0	2-28 days	1.5-9 Gm.	24	3	0	3	None, 25 Dizziness, 1 Lightheadedness, 2 Nausea, 2 *
6	3-60 days	4-8 Gm.	6	0	0	0	None, 6
2			59	6	3	4	*Relieved on reduction of dose

References: **1.** Carpenter, E. B.: Publication pending. **2. Carter,** C. H.: Personal communication. **3.** Forsyth, H. F.: Publication pending. **4.** Freund, J.: Personal communication. **5.** Morgan, A. M., Truitt, E. B., Jr., and Little, J. M.: American Pharm. Assn. 46:374, 1957. **6.** Nachman, H. M.: Personal communication. **7.** O'Doherty, D.: Publication pending. **8.** Truitt, E. B., Jr., and Little, J. M.: J. Pharm. & Exper. Therap. 119:161, 1957.

Indications – Acute back pain associated with: (a) muscle spasm secondary to sprain; (b) muscle spasm due to trauma; (c) muscle spasm due to nerve irritation; (d) muscle spasm secondary to discogenic disease and postoperative orthopedic procedures; and miscellaneous conditions, such as bursitis, fibrositis, torticollis, etc.

Dosage – Adults: Two tablets 4 times daily to 3 tablets every 4 hours. Total daily dosage: 4 to 9 Gm. in divided doses.

Precautions – There are no specific contraindications to Robaxin and untoward reactions are not to be anticipated. Minor side effects such as lightheadedness, dizziness, nausea may occur rarely in patients with unusual sensitivity to drugs, but disappear on reduction of dosage. When therapy is prolonged routine white blood cell counts should be made since some decrease was noted in 3 patients out of a group of 72 who had received the drug for periods of 30 days or longer.

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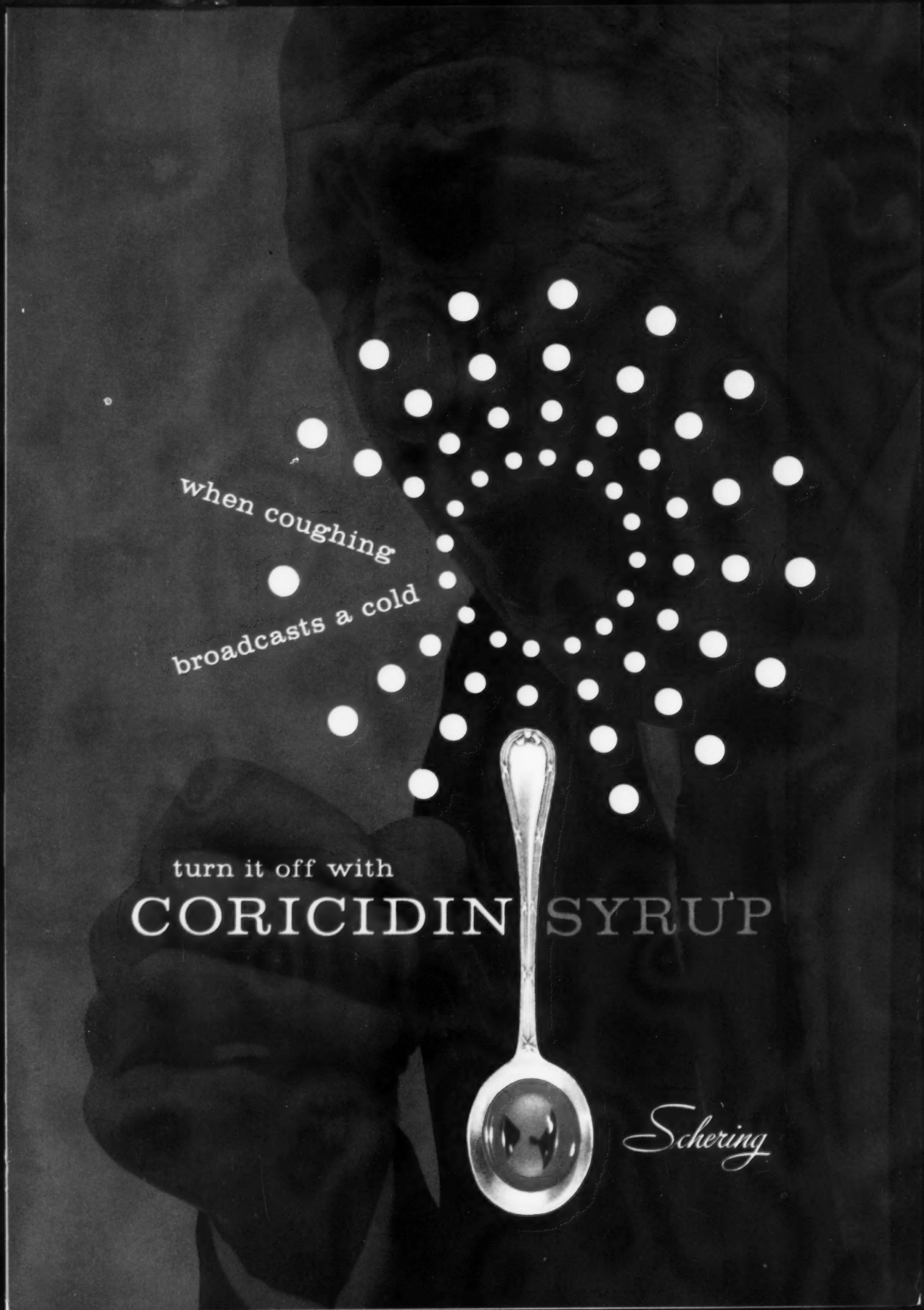
when coughing
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CORICIDIN SYRUP
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silences cough...

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Cough associated with a cold may not be innocuous. It can be dry and unproductive—aggravated by pollens, dust and tobacco smoke—persist out of habit—lead to distressing secondary symptoms.

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Dihydrocodeinone bitartrate	1.67 mg.
CHLOR-TRIMETON® Maleate (chlorprophenpyridamine maleate)	2 mg.
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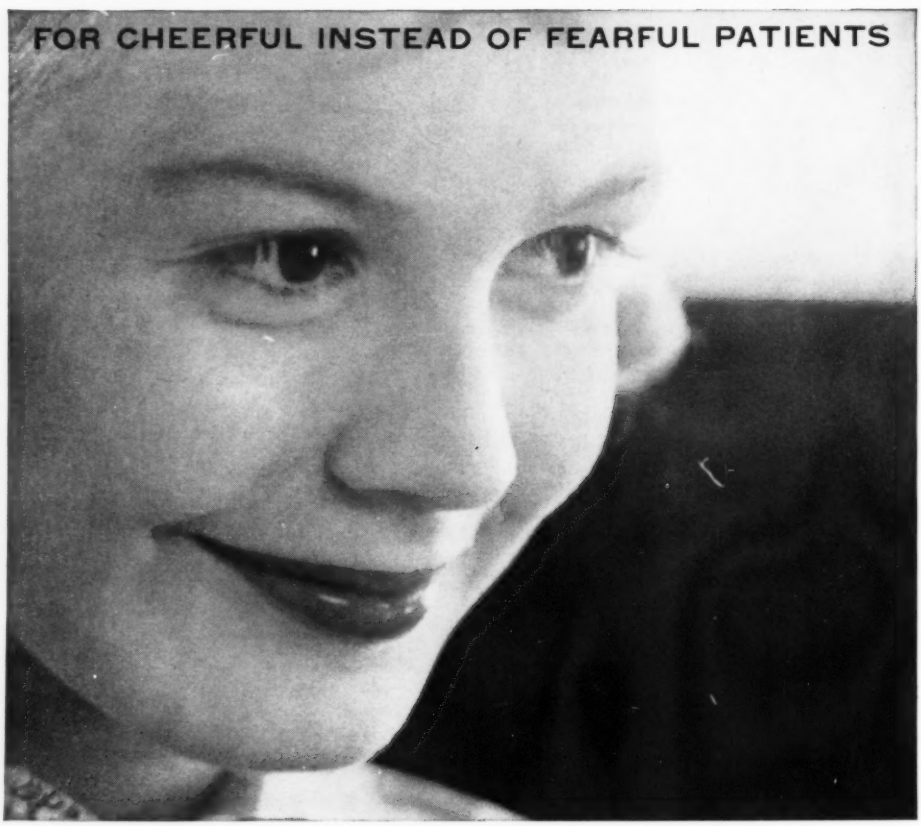
both–
orally for
dependable prophylaxis–
sublingually for
fast relief

NEW ISUPREL®-

FOR CHEERFUL INSTEAD OF FEARFUL PATIENTS



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ASTHMATIC–
but cheerful instead of fearful

New Isuprel-Franol tablets bring round-the-clock relief *plus* emergency help against sudden attack. Anxiety stops when patients know they'll get relief in 60 seconds — relief that continues for four hours or more.

Isuprel HCl (10 mg. for adults, 5 mg. for children), the most potent bronchodilator known, makes up the outer coating. In a sudden attack, the patient puts the tablet under his tongue. Relief starts in 60 seconds. A unique feature is the "flavor-timer." As the Isuprel is absorbed a lemon flavor appears. When it disappears—about five minutes later — the patient swallows the tablet.

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Isuprel-Franol tablets are "... effective in controlling over 80% of patients with mild to moderate attacks of asthma."[1]

1. Fromer, J. L., and DeRisio, V. J.: *Lahey Clin. Bull.* 10:45, Oct.-Dec., 1956.

Winthrop LABORATORIES
New York 18, N.Y.

℞

Isuprel-Franol Tabs
No. 100
Sig 1 tablet t.p.d.
If attack occurs, place 1 tablet under tongue, swallow after five minutes

ISUPREL-FRANOL tablets (Isuprel HCl 10 mg.) for adults;
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One tablet every three or four hours taken *orally* for continuous control of bronchospasm in chronic asthma. One tablet taken *sublingually* for sudden attack. "Flavor-timer" signals when patient should swallow.
Bottles of 100 tablets.

"Flavor-timer" signals patients when to swallow tablets

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LEMON "FLAVOR-TIMER"
Disappearance of flavor is the signal to swallow

FRANOL { Theophylline, Luminal, Benzylephedrine }
Sustained action — reduces frequency and intensity of attacks

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TETREX (tetracycline phosphate complex) (tetracycline HCl activity)..... **250 mg.**

Xylocaine* hydrochloride ..... **40 mg.**

plus ascorbic acid 300 mg. and magnesium chloride 46 mg. as buffering agents.

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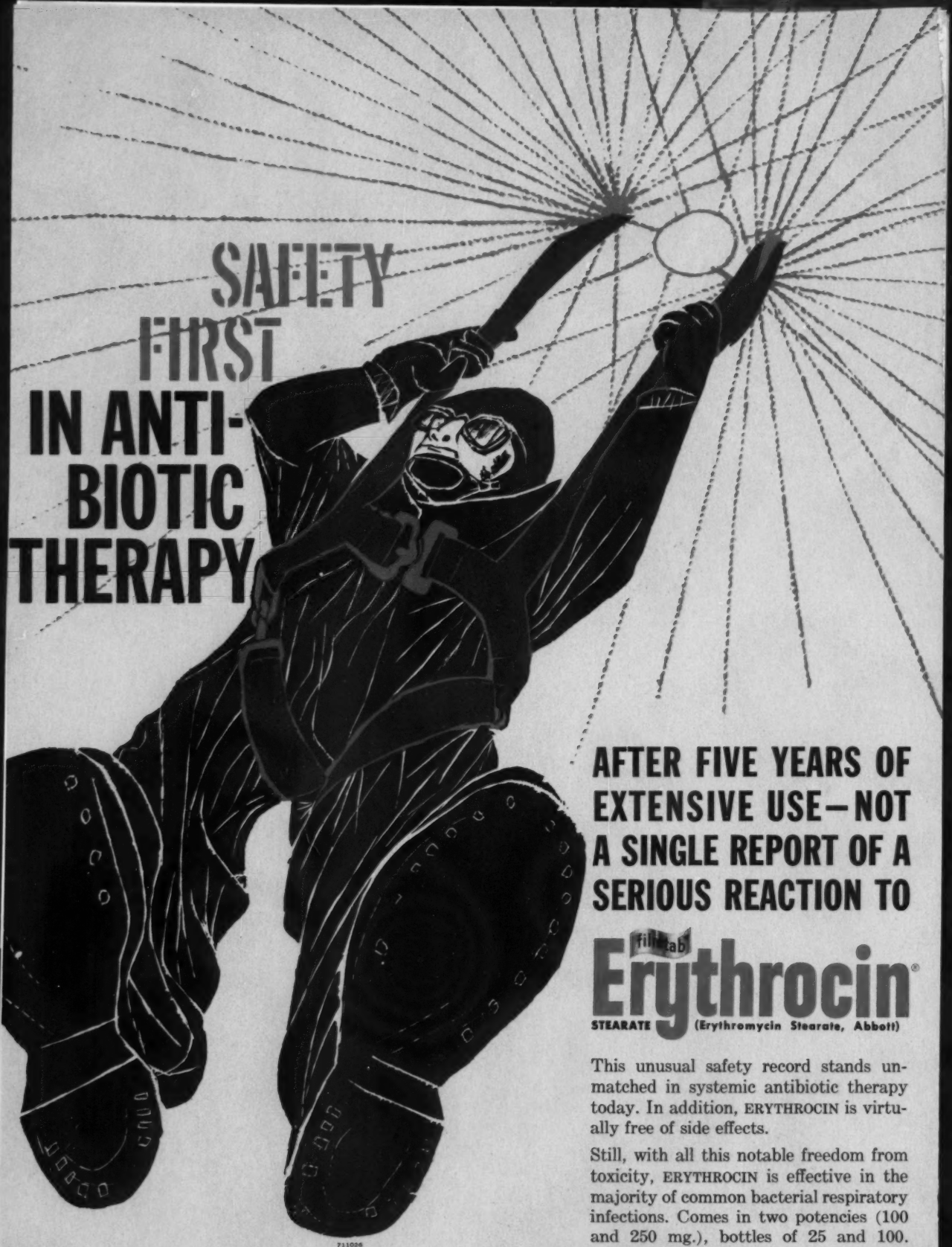

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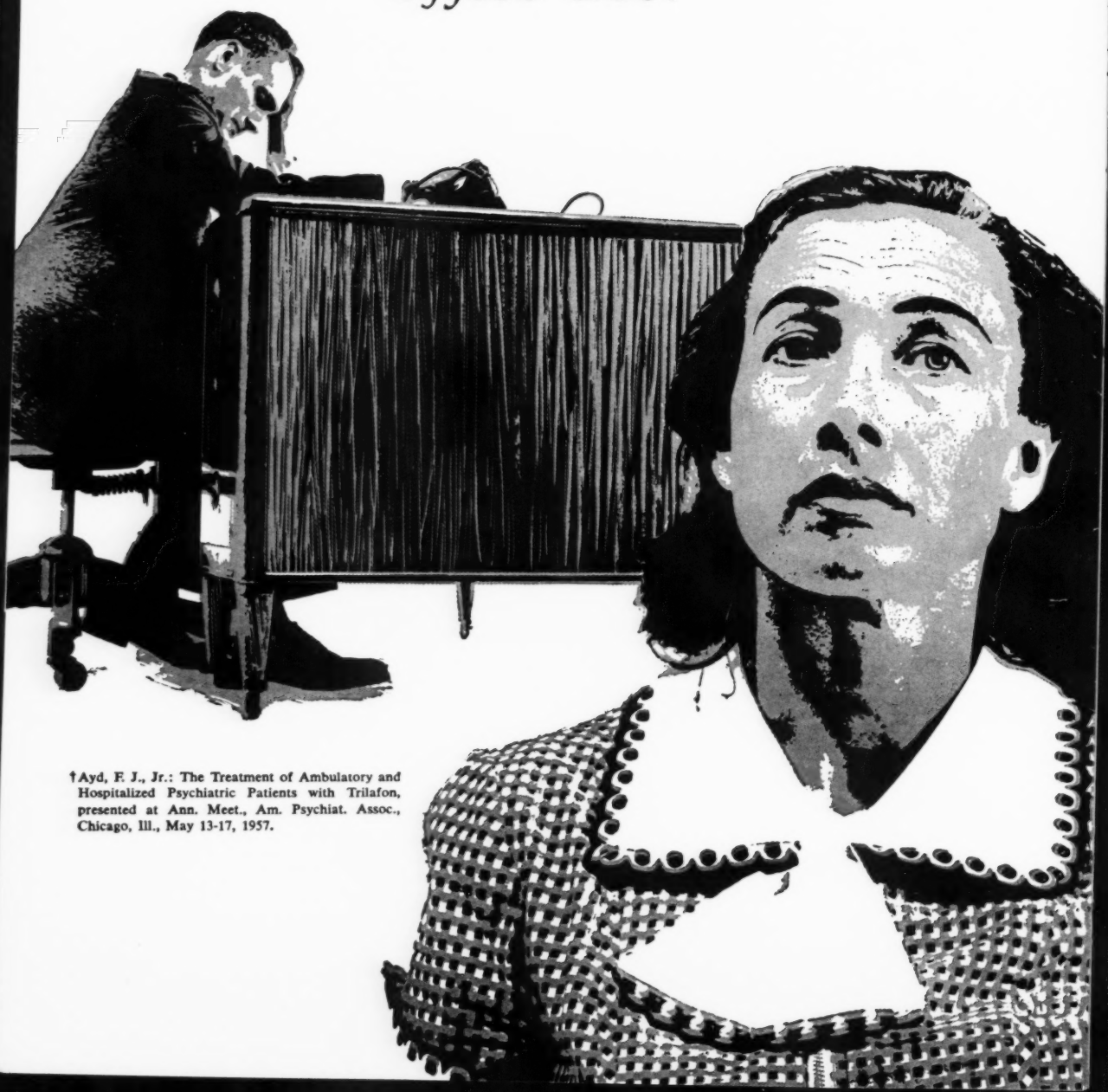

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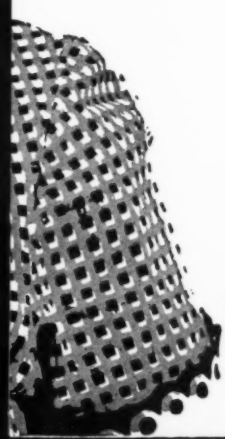

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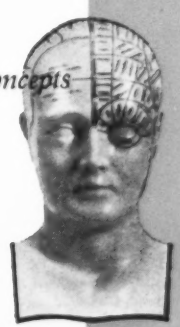

DELAWARE STATE MEDICAL JOURNAL

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THE IMPACT OF CHLOROTHIAZIDE (DIURIL) ON THERAPY IN ARTERIAL HYPERTENSION

DAVID J. REINHARDT, III, M.D.*

The management of arterial hypertension has been a most difficult problem. In the more severe forms of the disease, where structural changes in the cardiovascular system secondary to the elevated pressure have occurred, agreement is universal that reduction of blood pressure is necessary.

The surgical measures of thoraco-lumbar sympathectomy and bilateral adrenalectomy have proven to be effective. However, they are major operative procedures involving considerable risk both during and following surgery. Furthermore, in the individual case, improvement can not be predicted and if the operation should prove to be successful the patient can not be promised freedom from later recurrence.

The recent advances in drug therapy have been encouraging. However, in the more severe cases the patient is again endangered by large doses of anti-hypertensive drugs such as the Veratrum group, hydralazine (Apresoline) and the ganglionic blocking agents. The Rauwolfia derivatives, while relatively harmless in small amounts, do cause serious side effects when increased to their full therapeutic levels.

The dietary management of hypertensive disease by sodium restriction was first shown to be effective by Allen[1] thirty-eight years ago. However, because of the difficulty of maintaining the low level of dietary sodium (less than 200 mgm daily) which is necessary to obtain a hypotensive effect, few therapists continued to utilize this tool.

In 1949 a flurry of interest was stirred by the introduction of cation-exchange resins which were used to bind the sodium and prevent systemic absorption.[2] Again, it was illustrated that one could achieve a good blood pressure response if the resins were taken by mouth with meals and the dietary sodium restricted to one gram daily which was a far more palatable diet. However, once again this effective anti-hypertensive measure was not widely used due to the unpalatability of the resin, the expense to the patient, and the most important factor which was the lack of patient education in a rigid low sodium diet.

It seemed reasonable to suspect that the reduction of total body salt by diuretic agents might be effective. Moyer[3] dramatically illustrated this by giving several daily injections of an organic mercurial agent. The diuretic activity of the compound became less effective with prolonged usage so that general recommendations for this type of program were not made.

The reduction of total body sodium then seemed to be a very effective method of reducing the blood pressure. When added to other anti-hypertensive measures (surgery, drugs)[4] this method very frequently resulted in a normotensive patient.

Finally in 1957[5] information concerning a new oral saluretic-diuretic agent was published. This compound was chlorothiazide (Diuril). It was found to produce a marked increase in the excretion of sodium and chloride, and to a much lesser extent, of potassium in the urine. The proportionate

* Director, Hypertension Clinic, Delaware Hospital; Cardiologist, Delaware State Hospital.

excretion of water was noted to be less than with either the carbonic anhydrase inhibitors or with the organic mercurials. Chlorothiazide was also shown to be free of the development of tolerance so that long-term usage was practical. Acute or chronic toxicity has not been demonstrated clinically. Side effects were minimal, the only dangers lying in potassium depletion and in the development of the low salt syndrome. These have been obviated by (1) supplementary potassium in the form of orange juice or as potassium chloride, and (2) a diet of average sodium content. In treating hypertensive patients care has been taken to reduce, preferably by one half, the dosage of other anti-hypertensive agents as the effectiveness of these drugs was shown to be markedly enhanced by the saluretic effect of chlorothiazide.[6]

In the Hypertension Clinic of the Delaware Hospital an evaluation of chlorothiazide has been in progress since September 1957. Twenty hypertensive patients received this agent, in most cases in conjunction with rescinamine (Moderil), hydralazine (Apresoline) and mecamylamine (Inversine). Of this group, seventeen patients showed a reduction of mean blood pressure of at least 20 mm. of mercury while the other agents were kept at the same dosage or reduced. These patients were all severely hypertensive with a pretreatment diastolic pressure of at least 120 mm. of mercury. The patients who did not respond were in a state of chronic uremia with minimal kidney function. A more detailed report of our investigation will follow at a later date.

Other investigators such as Tapia et al[7], Freis[8], Moyer[3], and Wilkins[9], have given results in larger study groups for periods of time up to a year which substantiated the effectiveness and safety of this anti-hypertensive agent.

REVISED THERAPY OUTLINE

When the decision is made in the Hypertension Clinic of the Delaware Hospital that a patient has a form of hypertension which warrants control, the following amended course is embarked upon.

I. *Diet:*

No restriction of dietary salt is made. Weight reduction if needed is advised. One eight-ounce glass of either canned, fresh or frozen orange juice is recommended daily. In lieu of this, potassium chloride 0.5 Gm. twice daily is given.

II. *Drugs:*

1st Step:

(a) Chlorothiazide 0.5 Gm. three times daily.

(b) Rauwolfia derivatives, one to three times daily. (Rescinamine in our experience has the lowest incidence of side effects.)

2nd Step: (If adequate response is not obtained with the 1st step).

(c) Hydralazine starting with 25 mgm. four times daily and increasing as needed until a total daily dose of 400 mgm. is reached. It is our opinion that it is unsafe to proceed beyond this level.

3rd Step: (If adequate response still not obtained).

(d) Mecamylamine in starting doses of 2.5 mgm. four times daily with gradual increment of dosage until blood pressure control or side effects restrict further increase. We have carried the dosage to levels of 100 mgm. daily before satisfactory control has been obtained. However, most patients will be controlled at the 20 mgm. level or below.

DISCUSSION

It is now apparent that the earliest published significant method of blood pressure reduction in hypertensive patients has found a major place in the management of the disease. The exact mechanism of blood pressure improvement in hypertensive patients treated by reducing body sodium is unknown. The rather marked effect of chlorothiazide on the blood pressure has led some observers to hypothesize a specific anti-hypertensive effect for this compound. Studies on normotensive patients and animals have not supported this premise. It would seem most likely that the increased saluretic activity as compared to other diuretics is responsible for this action.

It appears that there is now available in chlorothiazide a drug which is a specific antagonist to the abnormal sodium metabolism seen in the vast majority of hypertensive patients. The use of this agent may stand the test of time as the most vital and specific weapon in the treatment of a relatively non-specific disease in which the only specific abnormality known is one of sodium metabolism.

CONCLUSION

The introduction of chlorothiazide (Diuril) seems to offer for the hypertensive patient a method of total body sodium reduction which is both practical, safe, and effective. When this method is used in conjunction with the current therapies for this disease, either a reduction of drug dosage or control of the blood pressure occurs. Chlorothiazide now appears to be the drug of choice when initiating therapy in the average hypertensive patient.

Appreciation is expressed to Merck Sharp & Dohme Research Laboratories for the supplies of Inversine and Diuril, to the Pfizer Laboratories for the supply of Moderil and to Ciba Pharmaceutical Products, Inc., for the supply of Apresoline.

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THE DOCTOR'S INVESTMENT PROGRAM*

PRESIDENT MURRAY:

We have a five-man panel of prominent business people from Wilmington, most of whom you know either personally or by reputation, who will discuss the Doctor's Investment Program. The Moderator will be Mr. Paul D. Lovett, Vice-President and Trust Officer of the Delaware Trust Company.

"Senior Securities" will be discussed by Mr. George Winchester, Partner, Laird, Bissell and Meeds.

"Common Stocks" will be discussed by Mr. Josiah M. Scott, Laird and Company.

"Real Estate" by Mr. Arnold Goldsborough.

"Insurance" by Mr. Edward G. Braun, Jr., District Manager of the Aetna Life Insurance Company.

Mr. Lovett, will you take charge, please.

CHAIRMAN LOVETT:

I was told when I came up here if there were any questions that were asked of the panel that they couldn't answer that I had to have the answer. So please, panel members, make the answers to your questions very simple.

I would like to go back for a moment, if you will permit a personal reference, to World War I, when I happened to serve a year in Uncle Sam's Army, but in no conspicuous way, just in the camps in the U.S.A. until I was about ready to go overseas, and then they decided to terminate hostilities. But I recall very distinctly that probably the most impressive part of that whole experience was the experience I had with the doctors. I believe at that time they knew of only about two or three different types of medicine. It seemed to me they did. One was iodine, and the other was epsom salts. I am sure that when they mixed up a dose of epsom salts that they put in all the salts that they could until they could just get enough water in there to dissolve the crystals, and it was quite a task to swallow it.

If you had a little touch of sore throat, they had a big bottle of iodine and a long stick with a swab on the end, and it seems to me it was undiluted. But I soon found that if I had any minor ailments, the cure was a whole lot worse than the sickness.

Since that time, of course, we seem to have specialists in every field, and we don't have those old general remedies. That is true in the investment field, too.

We have with us today a panel of men who are experienced in their various fields. I am a little afraid that their fields are so broad and cover such a territory that we can only skim the surface.

The first on the panel who will make some remarks is George Winchester, a partner of Laird, Bissell and Meeds, who will talk on the subject of "Senior Securities". I have known Mr. Winchester for a good many years—I would say about 28 or 29 years. I have learned to know that George is sound in his judgment and that he tells the straight truth whenever he talks to you. I would like to turn this part of the program over to Mr. George Winchester of Laird, Bissell and Meeds.

SENIOR SECURITIES

MR. GEORGE WINCHESTER:

A full dissertation on this subject would be lengthy and would certainly tax your patience, that is, the subject of senior securities, and certainly my ability to the breaking point.

But to be specific — everyone knows capital is necessary to run any kind of business. This takes the form of moneys put up by the business man and by others from whom he generally borrows. For the purpose of this discussion let us assume the

* Presented at the Annual Meeting of the Medical Society of Delaware, October 1957.

business is so well established as to have its common stock listed on the New York Stock Exchange. In this instance the borrowed capital of the business will be in the form of bonds which are no more than engraved certificates indicating the indebtedness of the borrower. The rate of interest will be stated on the bond; the date on which it is due for payment and the price at which the issue can be called for retirement in its entirety, or for partial retirement through the operation of a sinking fund, is also stated.

These instruments are in many forms. For example, mortgage loans may be secured by a lien on the entire assets of the business or they may be secured by the pledge of a specified part of the physical assets. There are others which may be backed by the pledging of valuable securities owned by the borrower and in this case are known as collateral bonds. A third classification is known as debentures. They are not backed by the pledge of any definite security but rely simply upon the credit of the company as a whole, taking into consideration the fact that bonds secured by definite assets come ahead of those that are unsecured. Another classification one runs into is income bonds. These are often issued by companies coming out of receivership and by those with quite uncertain prospects. The income bond pays interest only if earned except that the indenture, in accordance with which the bonds are issued, usually sets forth the requirement that the issuer may pay interest for three or four years even if it is not earned.

Bonds that are currently popular are convertible issues and those bearing warrants. The former provide, in addition to fixed interest and certain maturity, the right to convert into the common stock at prices generally fairly close to the prevailing market. This affords, in effect, a hedge operation so far as the buyer is concerned. He obtains an obligation and at the same time a chance to exchange into the common stock. Of course such an exchange will be made only if the company is successful and the shares have advanced. Let us consider the issue of Atlantic Refining 4½s of 1987, recently offered at 100 or $1,000 per bond. Here we have the obligation of a good company. Under unfavorable business conditions it might sell down to 90 or $900 per bond indicating a ten per cent risk. Suppose, however, the company continues to show its present progress and the shares currently around 40 return to 57⅜, the 1957 high. Since the entire issue can be converted into the common at 53 until August 15, 1962 such a rise in price would cause the bonds to sell at approximately 108 or $1,080 per bond. Should the shares advance to 70, for example, the bonds would then be selling around 131 or $1,310 per bond.

The Sperry Rand Company has recently issued 110 million debentures bearing interest at 5½% and due in 1982. Priced at par, each $1,000 carries a warrant entitling the holder to purchase twenty shares of the common at $25 through September 16, 1963. Should the stock advance to 30 there would be an approximate $100 profit for each $1,000 bond if the warrants are exercised. As in the case of Atlantic Refining Co. Convertibles, although to a lesser degree, the Sperry bonds would provide protection against declining business and some participation in the future growth of the company.

The issuer, by the process of convertibles, is able to sell his obligations at a slightly better price than if he sold mortgage or debenture bonds. Furthermore, the conversion of the debt into common stock avoids payment at maturity, while additional common shares necessarily issued upon conversion can be absorbed by the growing company.

One further group of bonds are those called Equipment Trusts. They are issued by the railroads to pay for necessary equipment such as cars and locomotives. Usually the railroad puts up a portion of the purchase price, perhaps 20 to 25%, then it offers the equipment trusts for the balance arranging to pay them off serially over a rather long period of years. During this time the title to the equipment purchased vests in a trustee named by the railroad and does not become the property of the railroad until the bonds have all been paid.

Because of their high quality this class of securities is popular with savings banks, insurance companies, and trust funds.

While these classifications fairly well cover the bond field I should like to emphasize it is essential for us to understand the holder of a bond is a creditor of the enterprise, while the issuer is a debtor. Of course this means the creditor can make the issuer live up to the terms of the loan as to interest and payment of principal. Should the issuer not be able to fulfill these obligations the holder of the bond has recourse to the courts for the enforcement of his rights.

The interest paid on bond issues is deductible from the borrower's gross income, thus reducing the net amount subject to federal income tax. Many companies, therefore, run the debtor-creditor risk in order to achieve the considerable saving involved as against the raising of money through the sale of shares, dividends on which come out of the net income after taxes.

Securities known as guaranteed stocks are frequently well regarded as investments. These often arise in consolidations whereby such railroads as the Pennsylvania have acquired subsidiaries. The United New Jersey Railroad & Canal Co. is an example. It is an important segment of its parent as it is the main line from Trenton to Jersey City. The entire assets of the company are leased to the Pennsylvania for 999 years at an annual rental of $10 per share on the stock. The dividends constitute a charge on the lessee's income and the shares rate equally with other unsecured obligations of the Pennsylvania.

Preferred stocks differ from bonds entirely. They represent, as do common stocks, a part ownership of an enterprise and do not have the debtor-creditor relationship I have spoken about but do have a prior claim on the companies' earnings and assets before the common. There are many different kinds, such as the following: The Cumulative Preferred, issued by a company, must pay to the owner the stated dividend whether it is earned or not. If the dividend is not paid the company cannot be thrown into receivership but the owners of the common shares receive no return on their investment until everything due on the preferred has been settled.

In the Non-Cumulative Preferred the holder has merely a claim upon dividends in any one year before anything can be paid on the common. The company's management, in its discretion, will determine whether to declare the preferred dividends or not and is under no compulsion to do so as long as the common receives nothing. There was an interesting exception to this in the case of the United States Rubber Co. Having earned its full $8 dividend on the preferred in 1938 it, nevertheless, paid only $4. During 1939 it was in better financial condition and, desiring to establish the common stock on a dividend basis, it was decided that it was obligatory to pay, in addition to the regular preferred requirements, the $4 unpaid in the previous year. I believe the decision in the United States Cast Iron Pipe case relative to the status of preferred dividends of New Jersey companies dictated the action of the Rubber Company directors. I may say that the decision was reversed by the Supreme Court of the United States and the situation no longer holds.

Convertible Preferreds allow the holders thereof to exchange their shares into common stock in certain ratios agreed upon at the time of issuance. This class is often very popular as it can provide a good measure of safety together with valuable privileges in case the common rises in the market. Kaiser Aluminum 4.75 Pfd. is cumulative to that extent and is convertible into common at 49½. The preferred shares now quoted at 90 would be worth approximately 140 should the common return to its 1956 high of 70 from its present price of 27⅞.

Participating Preferreds provide in addition to the normal prior claim on a company's earnings (to the extent of the agreed upon dividend) certain further participation in the net income. These are not nearly so numerous as convertible preferreds and are not looked upon with equal favor as they do not provide nearly so much profit possibilities.

Often preferred stocks as well as bonds can be retired at fixed prices through the

operation of sinking funds and in most cases are callable at a price set at the time of issue. The preferreds in the event of liquidation, or receivership, are entitled to their par value before the common shares receive anything.

The prime factor covering the price of highest grade bonds and preferreds is the cost of money. The reasoning behind this is due to the belief that the interest charges, dividends and payment at maturity or when callable are safe beyond any contingency. Consequently the price of such issues varies inversely with the cost of money. In other words, when money is hard to come by Du Pont 4½% Preferred will sell around 100 as it does today. When money is plentiful its price will be considerably higher; in fact it has not been very long since it was 120. Wide price variations in no wise suggest the possibility that Du Pont Preferred dividend is unsafe, but are definitely caused by changes in the supply of money available for investment.

Lower grade bonds and preferreds partake of the nature of common shares in their price fluctuations. This is because they are more dependent upon the earning power of the issuers as they do not have the wide interest and dividend coverage of the higher grade securities. Many people regard them as being only slightly more dependable than commons so far as interest or dividends, and inferior from the capital gains point of view.

Bonds and preferred stocks are, together with mortgages on real estate, the back-bone investments of insurance companies and savings banks and weigh heavily in the portfolios of trust accounts. Bonds are held in much larger amounts than preferred stocks wherever, as in insurance, fixed maturity and interest rates enter into the calculation of probable dollar claims on the companies or trusts.

Pension funds hold varying amounts of commons, preferred stocks, and bonds. The more conservative the management, the larger the proportion of preferreds and bonds. With the inflationary surge of recent years the common stock holdings have increased substantially but I believe generally remain somewhat below 35% of the total.

The endowment funds of educational institutions also hold large amounts of bonds and some preferreds. I believe they, together with mortgages, constitute about 50% of the total investment.

Preferred Stocks are often desirable to corporations since 85% of the dividends are tax free to the corporate holder.

The problem of investing is so complex, individuals usually realize the fallibility of human judgment. In an effort to offset our lack of omniscience it would seem wise for each of us to diversify our funds over the investment field into cash, insurance, real estate, bonds, preferred stocks, and common shares. There are times when each of these will prove itself comforting, to say the least.

Some of the mutual funds, recognizing these principles, have attempted through the selection of bonds, preferreds, and commons, to supply a complete investment program through the medium of one security. Many banks, in their trust departments, have created funds a participation in which provides similar diversification, stability and through the common stock portion reasonable opportunity for profit.

Of course, one must realize that diversification is not the answer to all problems. Changing conditions require constant supervision with resultant shifts in proportions of types held and dictate changes in individual holdings.

Government Bonds, and by this I mean the issues of the United States and Canada, are held in huge amounts by all kinds of institutions and individuals. United States bonds due to be paid in five years, or less, fluctuate comparatively little in price and are the particular investment favorites of commercial banks. For example, a one per cent change in a 4% bond due in 5 years equals $43.80 per $1,000. A similar change in a 20 year bond equals $131.20 per $1,000. When requests for business loans are very great, as at present, banks must sell their bonds. This is the time that short term obligations prove their usefulness and allow

the banks to serve the monetary needs of their communities with the least harm to themselves.

Municipal Bonds cover an enormous field. There are many classifications. For example, there is the general obligation of a city, county, or state which is backed by the entire taxing power of the borrowing entity. Then there is the revenue issue such as the kind secured by the town's electric or water plant and which cannot fall back on the general taxes as a bulwark is the electric or water revenues are not sufficient to supply debt interest and amortization of principal.

A third popular group comprises the bonds of express highways, bridges and parking authorities. We have examples of these practically at home in the New Jersey Turnpike, Delaware Memorial Bridge, and Wilmington Parking Authority.

The revenues of such facilities must be looked to for all charges. New Jersey, Delaware, and the City of Wilmington have not pledged their credit to safeguard the issues.

All Municipals are free of federal income tax and of the state income tax where the issuer is domiciled. As a result they are principally attractive to the rich individual who thereby retains a substantial net return on his investments often far above that available from other securities. However, the recent upward movement of money rates has caused severe declines in quoted prices, indicating here, as elsewhere, in bonds and preferreds the effect of changes in money rates.

In a few minutes I have tried to touch upon the vast subject of Senior Securities. Perhaps a good thing to remember about them is that they have often provided to the investor current income, greater stability, and greater dollar safety than that available in common stocks. To the man with an idea, whose business needs are beyond his material resources, they have provided the sinews of growth.

CHAIRMAN LOVETT:

Thank you very much, Mr. Winchester. I think you have covered the field of Senior Securities very fully and thoroughly. We will withhold asking any questions, which I hope you will ask a little later, until the other gentlemen have had an opportunity to explain their features of investment.

You know, in the investment field you get some very polished terms for the same thing, but we used to say that we had an old-fashioned depression. Then we got to the polished term of a deflation. And now we talk about a rolling readjustment. Gentlemen, they are all the same thing, in different degrees, perhaps. I am sure that you are going to be interested very much in the next speaker's remarks, and in introducing him I would like to mention that my eye caught an advertisement as I came through the arcade of the Du Pont Building today. There was a very pretty tree with green leaves, and on each of the leaves there was a dollar mark. Up at the top it said, "It doesn't grow on trees but it can grow." And then underneath it, it had "Laird, Bissell and Meeds".

Now, that is a terrible way to introduce the next speaker because I think he is going to talk on somewhat that next subject. He is a representative of Laird and Company. So I take great pleasure in introducing Mr. Josiah M. Scott, of Laird and Company, who will talk on Common Stocks, or the Junior Securities.

COMMON STOCKS

MR. JOSIAH M. SCOTT:

Before I start on my prepared text I might mention the fact that amongst doctors and other professional people there is a great weakness toward being sold securities. What this adds up to, gentlemen, is doctors are considered some of the greatest suckers for salesmen and particularly securities salesmen in the country. We try to rationalize this by stating, of course, they are so busy with their own work and their own reading that they don't have much chance to study financial problems. Maybe this is true, but nevertheless it seems that doctors, instead of buying things, are often sold them.

Any of you today who are not certain of the benefits of common stock ownership

should not feel embarrassed. A recent survey by the New York Stock Exchange revealed that only 23% of the adult population could correctly define a common stock. But there has been a definite trend in recent years by the American public in the realization of the value of common stock ownership.

After lagging for a number of years, investments of individuals in common stocks are beginning to catch up with the growth shown by other outlets for personal savings, such as U.S. Savings Bonds, life insurance and savings deposits.

Furthermore, through the steady progress achieved in widening the ownership base, security investments are no longer regarded as a vehicle reserved for the very few or the very wealthy. Now, you seldom see a capitalist pictured in cartoons as a bloated character with dollar signs patterned in his clothing.

In today's "people's capitalism" American industry is owned by persons in every walk of life, in every occupation, and in every section of the country. Main Street rather than Wall Street more nearly typifies today's roster of security owners. However, there still is need for further broadening the ownership base of American industry as is attested to by the fact that only one out of six professional people are owners of common stock.

Why should there be a further broadening of the base of security, ownership? First to the individual the advantages may be summarized as follows: First, the realization of a relatively high income return. Second, the protection of the purchasing power of his dollar in times of inflation. Finally, participation in the long-range growth of the American economy.

Business managements as well welcome a growing list of stockholders. In the decade ahead it is expected industry will need to sell tens of billions of dollars worth of new shares to raise capital for expansion and modernization if it is to expand along with the country's population. This essential new capital is greatly facilitated by a growing list of new stockholders. Of course, this also leads to use of company products by stockholders, strengthening the business picture. But to the nation at large, the major benefit is that the closer association of personal interests with business leads to a better understanding of our capitalistic system.

Let us now look at common stocks themselves in more detail. Unlike bonds, which are evidences of debt, stocks represent the ownership of a corporation, and are known as equity capital. Stocks give the owner a position similar in many respects to that of a general partner, without being subject, however, to the unlimited liability inherent in a partnership.

As owner of a share of the business, you are entitled to elect Directors, to vote on certain other matters, and to participate in the distribution of earnings after all prior charges, such as bond interest and preferred stock dividends, if any, have been met. Common stock owners bear the greatest risk, but on the other hand, are in a position to reap the largest profits.

The average corporation plows back a portion of its earnings into the business. In recent years, the typical company has reinvested almost 50% in this manner. Of course, this increases the value of a share of ownership in the business and consequently the value of the stock held of such companies. The remaining profits are distributed in the form of dividends.

There is nothing static about dividends. In good years the regular rate may be increased or extra dividends declared; in bad years dividends may be cut or even omitted. However, in recent years the trend of dividends on representative industrial stocks has been steadily upwards. Stocks today returning 4% or 5% may well produce returns of 10% to 15% in the future on the present cost.

Dividends are an important factor influencing the market. So are earnings. But there are numerous other elements that may induce investors to buy or sell stocks. Their opinions may be influenced literally by anything from the state of their digestion to a crisis abroad. Facts sway them

but more importantly, so do fears, hopes and their appraisal of the future and the past. Some analysts consider investor psychology to be of the utmost importance in predicting market action.

I have stated that common stocks may provide present as well as future relatively high income returns, but let us now turn to two other important reasons why every doctor should have common stocks in the investment program that he or she sets up.

A major advantage which common stocks have over bonds and preferred stocks, as well as savings accounts, is that they have provided a means of participating in America's economic growth. The average holder of common stocks has been well rewarded in recent years. Stock prices have approximately doubled since 1953, while dividend payments have increased more than 30%.

In contrast to this performance, bonds represent debt, and debt has two basic disadvantages. In the first place income is fixed and the owner cannot participate in the research developments which an aggressive growing company might produce. For example, the owner of a 3½% debenture of General Electric has no opportunity to participate in the fine research results produced by G.E. scientists. When the company's growth and superior management results in improved earning power and balance sheet position, it may either pay the bondholder off more rapidly than expected, or refund him at a lower interest rate. So the debt holder has the possibility of losing everything, 100% of his principal, should the company collapse, and very little to win, with interest rates of 3½% to 5%.

It is true that common stocks would also reflect any major setback in the economy, but the weight of present evidence strongly suggests that a sustained period of prosperity lies ahead. This may surprise some of you with recent weakness in the stock market and business sentiment supposedly at a low ebb.

To be as practical as possible in interpreting the present business situation, we probably should reconcile ourselves to the fact that we are in the middle of a transition from an inflationary condition that could not continue without serious trouble, to some less active condition that, it is hoped, will resemble sound economic growth. Some of the current developments clearly have deflationary implications and they create a fear that termination of inflationary excesses must necessarily dictate the initiation of deflationary excesses. However, the business pattern as I see it does not call for a depression. Rather the prospect suggests a less dynamic business atmosphere than we have become accustomed to in the past five years or so.

I envision a period which, in retrospect, will be looked upon as a much needed area of consolidation that should prepare a sounder base for the ultimate resumption of the economy's growth, but a period during which some companies and industries will do poorly, while others are doing reasonably well.

Looking further ahead, it is hard not to be enthusiastic about the future growth of our country's economy. Even though the national economy for the next year or so will be moving sideways at a high level, it should not be too long before it resumes its upward climb.

There are many long term forces at work to reassure us as to the underlying strength of the economy. They are: The needs of a growing population; the conduct of research and development on a large scale; the rising levels of income associated with advancing technology; greater productivity and energy per capita in our nation; and finally, the tremendous opportunity offered by worldwide industrialization.

Let me shift now for the moment from the future to the present stock market picture and the opportunities it presents. We have all read in the papers and heard on the radio and television of the recent drop in the stock market. Rather than be depressed by these events, caused by investor anxieties and uncertainties over the national business picture and a complex international scene, investors should welcome these opportunities to acquire greater values in

stock purchases than have been available for many months.

Probably one of the best ways to invest one's money and not be disturbed by market fluctuations is through a system called dollar cost averaging. In its practical application, the investor periodically invests a given amount of money in the common stock which his analysis indicates as the most suitable for his portfolio at the moment.

We could more formally define dollar cost averaging as an automatic capital accumulation method that provides for regular purchases of equal dollar amounts of securities and results in an average cost per share, lower, than the average price at which purchases are made. This is caused by the fact that by investing an equal amount of money on an annual basis, we are able to buy fewer shares which cost more when the market is high than a greater number of shares which would cost less when the market is low.

This may seem complicated but what it illustrates is that the most important part of any investment program in common stocks besides careful selection of the stock to be bought, is to possess the will power to see any program through, regardless of the market level. We can ignore market fluctuations and use falling markets to our advantage if we will stick to regular periodic purchases, confident that the long term trend is toward growth of our economy and higher stock market averages in the years ahead.

This now brings me to the final advantage of common stock ownership that I shall discuss today. Closely related to the fact that common stocks give us participation in the long range growth of the American economy, is that they also provide protection of the purchasing power of the investor's dollar.

There is perhaps no perfect hedge against inflation, but common shares have outsurpassed virtually all other investments in providing such protection. Funds invested in bonds, share, with such fixed value investments as life insurance and savings deposits, the danger that future inflation may dissipate some of their ultimate worth. Thus if money invested today in any of these media is withdrawn at a time when the purchasing power of the dollar has declined to, say, 80¢, in terms of present-day prices, the investor will have lost 20% of the purchasing power of his original principal.

Conversely, deflation of the value of the dollar will proportionately benefit the investor in fixed income and value securities, since he will be paid and possess money that will have a purchasing power greater than the dollars he originally invested. At first glance it would appear that the normal fluctuations of money values would cause the periods of inflation and deflation to practically balance the worth of these fixed income-value investments during any average span of years. Statistics reveal, however, that the long term trend of this country's currency valuation has evidenced a progressive inflationary tendency from the time our government first issued money.

Following the accelerated inflationary periods produced by wars and booms, compensatory recessions have temporarily adjusted currency values upwards, but the ultimate trend has always been toward a gradual decrease in the purchasing power of our dollars. Why does our country's economy seem to have a built-in inflation rate which results in a steady drop in the purchasing power of our dollar?

For instance, during the past ten years the purchasing power of the dollar has declined 34% compounded annually. Our Puritan-Yankee heritage dictates that we be prudent, that we save for our old age, that we provide for our own security.

Security, indeed, is the theme of whatever instructions on personal money management were handed down by our forefathers. Yet we live in a society that demands exactly the opposite. We live under a system which calls for full employment. This is an accomplishment which can be attained only if we continue to be a nation of buyers and suppliers. On the basis that the more we buy the more we will have to supply, thus achieving fuller and fuller em-

ployment, we are discouraging, perhaps dooming, the practice of thrift.

All indications are for long pull inflation during the years ahead. What other conclusion can we reach when it is apparent that powerful unions are to continue in their demands for higher wages, that Government spending is to continue at high levels and gradually become higher in order to provide for the needs and defense of our nation; and further we see the control of the nation's money supply influenced by politicians who are anxious to supply easy and quick credit to those whose immediate salaries and income do not provide sufficient funds for a desired standard of living. When we look at the statistics of what has happened in the past we can all too easily realize what the future holds as these trends continue.

Suppose you had deposited $10,000 in a savings bank in January 1942, at an interest rate of, say, 2½% annually. That investment would still be intact, but the $10,000 would be worth only $5,500 in present-day purchasing power. Moreover, the annual interest of $250 would have shrunk to $137.50 in terms of today's prices.

On the other hand, a $10,000 commitment in Industrial common stocks would currently have a market value of almost $57,000 or $31,350 adjusted for the intervening change in the value of the dollar. Meanwhile, average dividends per share have increased from .67¢ to $2.00, meaning that the annual income of $748 received in 1942 has grown to $2,234 or to $1,229 in present-day buying power.

Thus where common stocks would have protected you against inflation with a generous margin to spare, the savings bank deposit or the investment in bonds would have resulted in a loss of 45% in purchasing power both on the original capital and in current annual income. I think those figures speak for themselves.

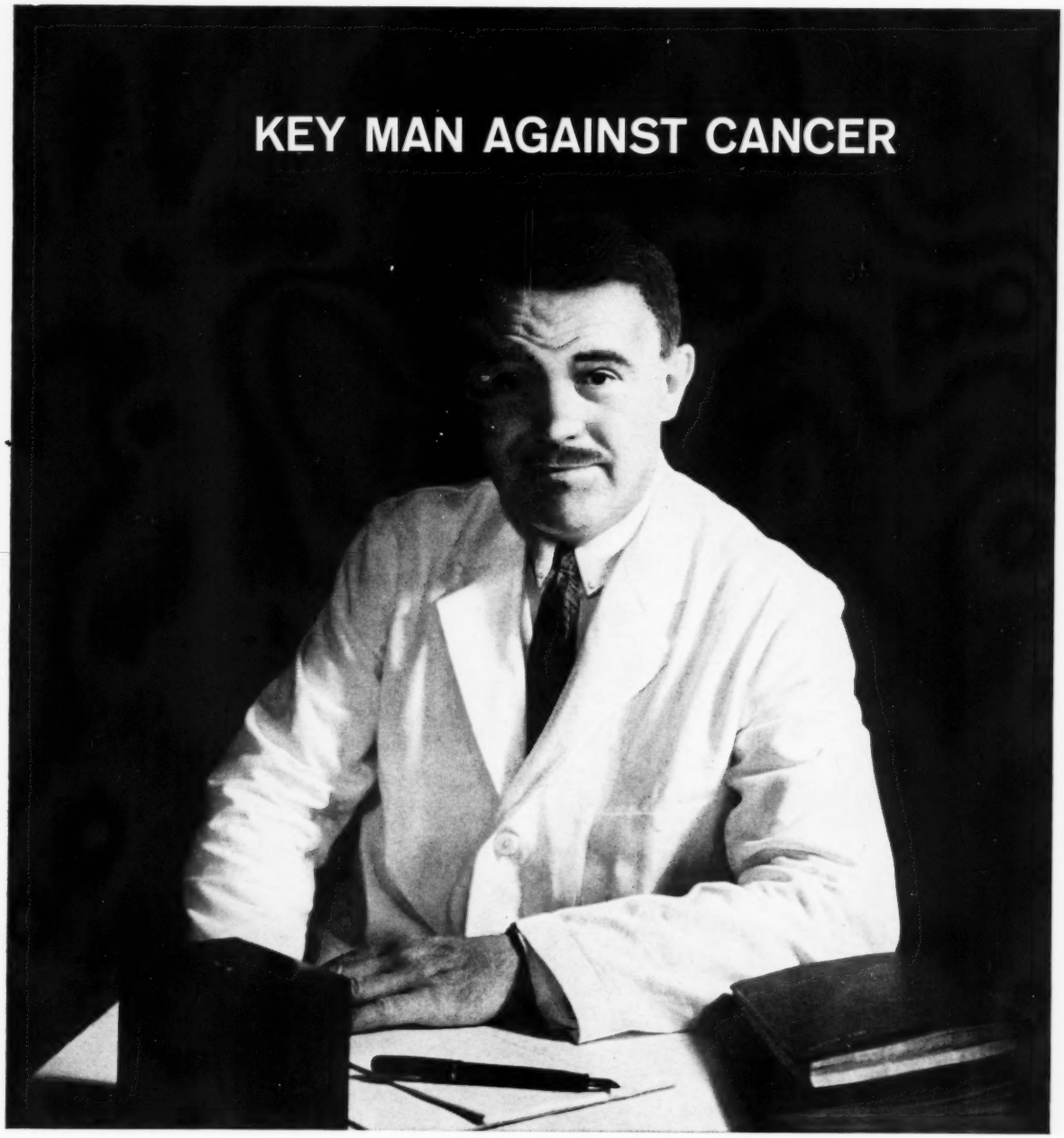
But regardless of the foregoing statistics, it should not be forgotten that fixed income and value investments along with a home, insurance and saving reserves, fulfill an important role in the overall investment program of a doctor. There is risk in any investment philosophy. Insurance is tied to bond values and the values shrink so greatly during inflation that there is danger of substantial capital loss. But there is also the danger of substantial loss in growth stocks during deflation.

Many of the statistical examples in this paper have been based on total reliance on one type of investment media for illustrative purposes. The man who has invested all of his capital in one type of investment will ultimately run the greatest risk of all. The mistake is thinking only in terms of making a lot of money or of attaining a lot of security. What all of you need to do is to first examine your investment goals and then through a balance of varying investment media seek these goals.

Any of you could conceivably have personal reasons for employing varying types of investments, each of which possess their own advantages. Through Bonds you are promised a fixed rate of interest throughout both good and bad years. You are also promised the ultimate return of your investment. For some of you these facts are essential. The common stockholder's monetary returns depend on earnings. Their quoted prices are subject to the unpredictable fluctuations of the stock market, and consequently the purchaser has no assurance that he can ever resell any given share at a price as high as he paid for it.

Any stockholder should be able to face this fact with equanimity before investing his money. However, to balance the handicap of this vulnerability of their market price under adverse conditions, the owner of sound common stocks is in a favorable position to benefit from any future prosperity and growth of our nation. Their chief advantage over fixed income and value investments is their potential for advancing in value during periods of inflation.

I have previously discussed the progressively decreasing purchasing power of our currency when gauged over long periods of time and its deteriorating effect upon the money invested in insurance, savings accounts, bonds, and similar media.



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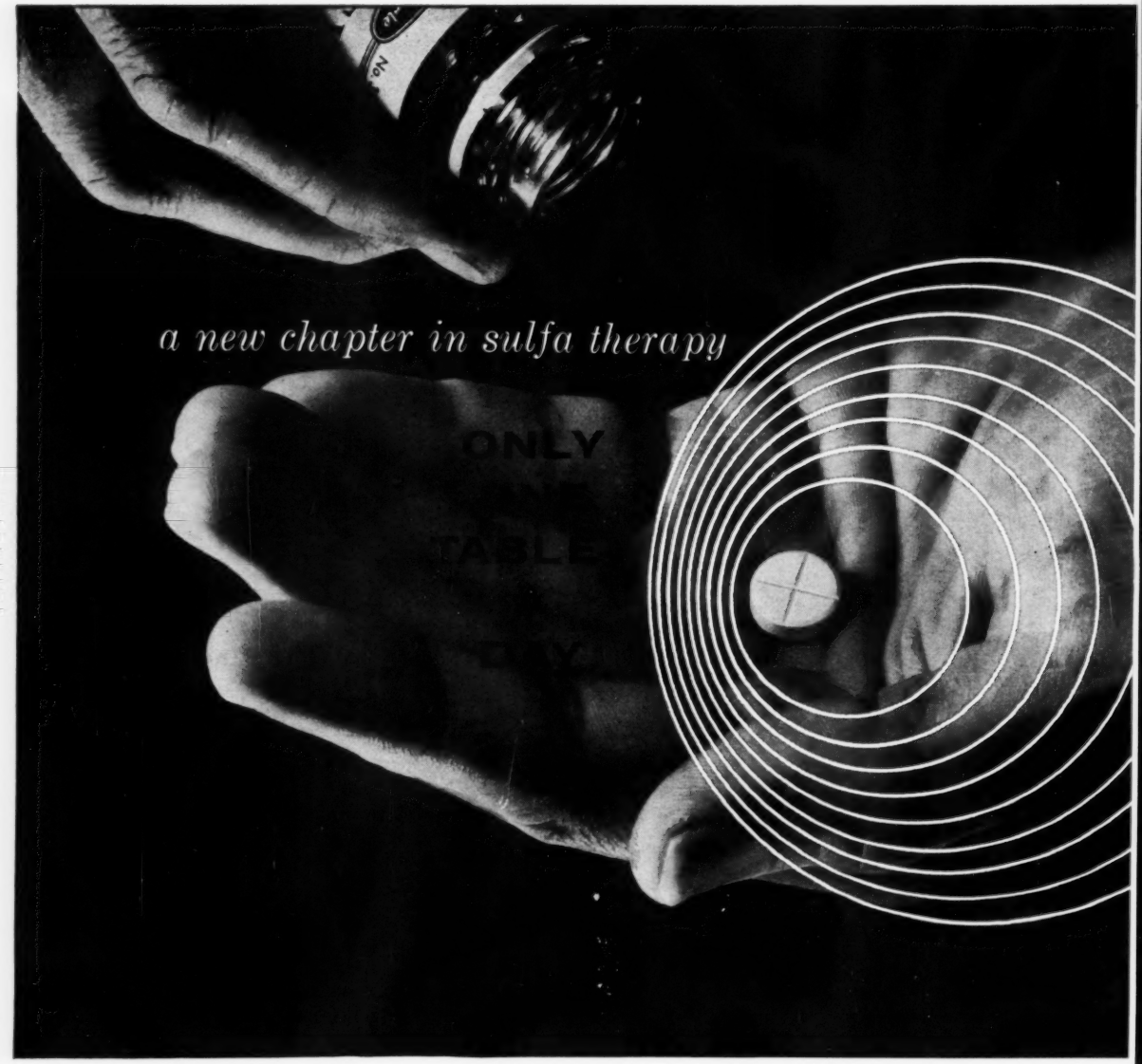

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1. Nichols, R. L. and Finland, M.: *J. Clin. Med.* 49:410, 1957.

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By contrast, common stocks have exhibited a tendency to appreciate in value during inflationary periods, and this appreciation, in most instances, has more than compensated for the concurrent loss in the purchasing power of the dollar.

I should like to conclude with a reminder that some stocks are much more conservative investments than some bonds. Some bonds are more speculative than some stocks. Each security must be examined on its own merits and conditions surrounding these always should be investigated carefully.

CHAIRMAN LOVETT:

Thank you very much, Mr. Scott. Mr. Scott had a subject which permits of greater deviations than Mr. Winchester had, and I was rather amazed when he informed us that doctors were the major suckers in the selling of stocks. You know, I had thought for a long time that educators were the class that really got hit the hardest. But you know, after going through the depression of 1929 and then the recession, I think we called it at that time, in about 1933 or '34, I am absolutely sure that there are more suckers among the bankers than any other class of people. I gave you as an illustration the advertisement that is used by Laird, Bissell and Meeds and the dollars representing leaves.

Now I think we are going back to a field where we might refer again to that illustration and say that there are some lands and fields that are more fertile for the production of the trees that grow the dollars. We have with us Mr. Arnold Goldsborough, who has been a realtor in this city for quite a long time, is very well versed on the subject, and he is going to tell us something about investment in real estate. I presume at the same time he might also speak on some of the investment features in mortgages secured by real estate.

REAL ESTATE

MR. ARNOLD GOLDSBOROUGH:

In selling investment real estate, I always remember what someone told me years ago, that the right investment in real estate is equal to a lifetime of toiling. How true it is. Many people have made the right investment in real estate. Today, they are living off the income, and will pass down their real estate holdings to their children. Many families inherit substantial fortunes in this way.

There is considerable romance in real estate too. I think any program should be well rounded out with savings, with stocks or bonds, and insurance. But in real estate, there is something that you handle yourself. You can watch it grow. You can develop it, and you don't sit helplessly by as the market crashes down around you.

In the past several weeks none of my clients became concerned and worried about the depreciation of their real estate. None of them came in to see if they had to place extra collateral in real estate for the mortgages that they owed, as those who owned stock had to do.

Some people say the disadvantage of real estate is its non-liquidity; you can't sell it quickly. I think that is one of the most stable things about it, that you can't go off a deep end, sell your real estate in a hurry, and regret your action in a few months or a few years. If it is a good piece of real estate, you can go to the bank and borrow on it.

The opportunities for wise investments in real estate exist today. They are around the corner, and for a busy doctor, are not always easy to see. My advice is to get a good realtor to advise you in making your investments.

What kind of investments can you make? Perhaps the simplest type is land. Land is a good investment. The value of land follows the growth of population. Just two years ago, land in Brandywine Hundred seemed very high at $1,800 and $2,000 an acre. Today $3,000 and $3,500 are considered a very fair price.

Some choice parcels, formerly selling for $2,000 an acre, are bringing $4,000 and even $4,500 an acre.

Individuals, and especially real estate men, and builders have watched the growth

of a community, and the trend of population. They will buy the nearest vacant farms to a populated area, will hold these farms, and soon find they can sell them at a capital gains. The builder naturally uses his land for development. Often the owner of a farm, rather than sell outright, will go into a partnership with a builder. Beside making a nice profit from his land, he becomes a partner in the construction field, with new interests.

Contrary to all beliefs, there have been enough homes built for our growing population. The rental of apartment houses and private homes is a good investment. I think the young doctor who has bought his first house, in the ten to fifteen thousand dollar bracket, and plans to buy a higher priced home, should consider keeping the first property and renting it. He may find that the return on his investment will prove much better than the interest from a savings account.

Commercial opportunities are excellent. I am surprised at the chain stores that come to Wilmington to make offers on space and ground that we have available. We are now negotiating with various chain stores for several of our investors. After the building is constructed, they will have more than a fair return on their money. In fifteen years they will have paid off the mortgage on these buildings, and will then have a much greater return, and quite an estate to leave to their children.

I think we should also consider the newer type of buildings that physicians are using, the one-story, motel type structure where several doctors join together, perhaps forming a syndicate. Several are around Wilmington, and you may think further good locations are not available. I think there are several plots that are in especially good locations for doctors to consider.

For something that you do not want to bother with and have no management problems, try mortgages. Today's mortgage at 6% is a good investment—a $10,000 mortgage will give you a $600 a year return without very much supervision. Anything that has a bit of risk needs some management. A mortgage requires as little management as you would want, and it is a very safe type of investment.

We find that many of the older families of Delaware have handed down mortgages, and I am thinking back twenty-five to thirty years. The same families holding mortgages in various parcels of property, when they are paid off, put the money back into another mortgage in another section of the city. And they are very well satisfied. In the depression some of them had to foreclose and take over the properties. But in taking over the properties they sold them later at a much larger price than their mortgage, and even took back a mortgage again on the same property, and made a profit on the foreclosure.

For those who have owned income property for twenty years, and have no more depreciation left in your building, I think there is a new field for you to consider. Postpone your profits by exchanging properties. Exchange your investment property for another building that would be considered an investment. You can then take depreciation on your new property and have tax free dollars in your pocket.

Undeniably a carefully selected parcel of income real estate, properly purchased and wisely managed, surpasses all other competitive types of investments.

CHAIRMAN LOVETT:

Thank you, Mr. Goldsborough.

I think perhaps that we may get the impression after a while you are going to have to have a lot of money to invest in all these fine investments that are available. But there is still one left, and that is the one where a dollar is always a dollar. I am sure that you will be interested in hearing a talk on insurance as an investment, after which I hope you will have lots of questions to ask. Mr. Edward G. Braun, Jr., District Manager for Delaware, of the Aetna Life Insurance Co. will make some remarks on that subject.

INSURANCE

MR. EDWARD G. BRAUN:

Perhaps it is ironic that the part played by insurance in the professional man's in-

vestment program should be the last vehicle introduced to you today. Perhaps this placement has been made because of the general concept that insurance is the stable, guaranteed, self-administering necessary base to the successful completion of your goals through the long range media of stocks, bonds, and real estate.

Life insurance is the beginning of any man's investment portfolio for it is the only known investment which creates immediately the estate a man hopes to accumulate as a result of his professional acumen, long devoted hours of work, and years of rewarding good health.

In its simplest form, life insurance is the only TIME insurance since it guarantees our wives and children the income they have every right to expect in the event of our death before we have had TIME to build the investment programs recommended to you by my panel colleagues. Therefore, life insurance was created to protect our greatest asset—the value of our human life. This is the paramount asset necessary to make possible all other forms of property we may wish to accumulate, yet it is the asset which is the most poorly insured.

Most doctors have insured their real estate against fire losses within 80% of the current market values, yet statistics show that only one in every 200 doctors will ever have a fire loss and if this loss does occur, it will be for only 15% of the amount insured. Most doctors have insured their economic value to their families, their potential earning capacity if they live—their greatest asset, for about 8% of its economic value. The Insurance Industry believes that this trend would undoubtedly be reversed if we put sirens on hearses instead of on fire engines.

Almost every doctor in this room has insured himself against the liability of professional malpractice, and the majority of the doctors have protection against suits brought against them up to limits of $150,000 to $300,000. The loss of a patient due to the misjudgment of a tired, overworked doctor is valued by the families of these deceased in terms of $300,000. Few doctors protect their own economic value to their own families up to these limits.

As an investment for our families, the estate creation features of life insurance can have a return of several thousand times the dollars invested. It is because of this feature that life insurance must be the base of your portfolio. It is for this reason that most stock market firms recommend in their publications that all investors start with an adequate minimum life insurance program.

The second major investment feature of life insurance is its inexpensive ability to conserve your estate which has been created through good income producing property in the forms of stock and bonds and real estate. It provides the best vehicle to transfer your estate to your family by producing the immediate quick cash assets necessary to pay estate probate costs, executor's fees, federal estate taxes and state inheritance taxes, etc. It can be the asset available for your executors to conserve the income producing property which should not be sacrificed to pay estate settlement costs.

The 1954 Internal Revenue Code has continued and increased certain tax privileges for life insurance proceeds. Consequently, many new trusts have been established with our responsible trust companies as executors using life insurance to fund these trusts. By giving up ownership of your present policies and by creating new policies on which you have never had "incidents of ownership", you can create the funds to pay the debts of your estate without having the proceeds included in your taxable estates.

However, the 1954 Code gives a big concession in the proper use of life insurance. Now a doctor can remove insurance proceeds from his taxable estate even though he continues to pay the premiums on the insurance. He must give away the policy, including all "incidents of ownership", such as the right to change the name of the beneficiary, and he must have less than one chance in twenty to regain the value of the policy. Formerly, the insurance proceeds would have been includable in the insured's estate if he directly or indirectly paid the premiums. Of course, if the insured dies

within three years of making a gift of his policy, his executor will have to prove that the gift was not made in contemplation of death to avoid estate tax.

The third major investment feature of life insurance is the very favorable treatment of the retirement income or annuity values made possible in the latest revision of the federal income tax laws. The 1954 Revenue Code completely changed the method of taxing retirement income resulting from regular annuities, insured retirement income or endowment policies, and the cash value of life insurance policies which the insured has elected to receive in the form of income. This new method, while more complex, is decidedly more equitable than the old method. In essence, the new law means this: the greater portion of each income payment is tax-exempt regardless of how long the individual lives. Thus, an individual can continue to receive tax-free income from, for example, a retirement income policy long after he has recovered the amount invested in the policy. Generally speaking, the amount of tax-free income is determined by dividing the insured's total investment in the contract by his life expectancy at the time he retires. Life expectancies are determined from tables issued by the Internal Revenue Service.

The provision for the special retirement income credit for physicians, based upon taxable retirement income, is another vital piece of legislation to be considered in your investment program. It was written into the law to give tax equity to those not eligible for tax-exempt Social Security income. Here's how it works. Against taxable retirement income up to $1,200, a 20% credit is allowed to the retired individual age 65 or over. Income eligible for credit includes that which results from retirement income and endowment policies, life insurance cash values, and annuities. Also, eligible are interest earnings, rents, and dividends. The most the credit can be is $240 (20% of $1,200), and it is applied against the amount of income tax payable. The credit, however, is reduced if annual income in excess of $1,200 is earned after age 65 and before age 72. After age 72, earnings in excess of $1,200 will not reduce a physician's retirement income credit.

Another feature of our Federal Income Tax provides double exemptions to us and our wives beginning at age 65. By incorporating this program with the new method of taxing annuity income and the special retirement income credit for physicians, it is possible for the doctor to receive $10,200 annually of tax free retirement income beginning at his age 65.

Presuming the doctor should commence this program at his age 40, in addition to the $10,000 tax free retirement income he will be protecting his own economic values to his family with these important corollary benefits:

1) At age 65, his total cash value will amount to approximately $121,500—a gain of $15,000 over his total investment—and by receiving his cash value in the form of income, he does not report this gain.

2) During his years of practice, he will have a guaranteed, constantly increasing, always available fund to call upon in times of emergency.

3) And, of course, if he does not live to retirement, $75,000 of life insurance or the current cash value of his policy, whichever is higher, will help to replace his economic value to his family.

He will have made his TIME insurance his best investment for peace of mind while accumulating his estate. He will have the best means to conserve the other income producing property for his loved ones and heirs, and he will have the lifetime security of knowing that he can't outlive his $10,000 annual retirement income provided by the annuity principle of life insurance—regardless of the fluctuations of the economic cycle during his happy retirement years.

CHAIRMAN LOVETT:

Thank you very much, Mr. Braun.

I realize these talks are technical in character, and I wish you would put some plain homespun questions to them right now.

May I entertain questions from the floor.

Let me start one off while you are thinking up one. I have one here that I thought might be of interest to you, and it is going to be for Arnold Goldsborough. What do you do to remove an objectionable tenant who is on a month-to-month lease, pays rent promptly but refuses to accept notices to vacate? Will you take that, Arnold.

MR. GOLDSBOROUGH:

Well, we have the courts to help us out in a case like that, and if we have an objectionable tenant, we go to the man who is not here today, and that is a lawyer, to prepare our papers, and take it to Magistrate's Court, and we have a case called holdover-tenant, and when you go to the Magistrate, when he will serve the paper—the Constables will serve the paper at the house, and the trial will come up in about five or ten days' time. The man can be smart enough to get a lawyer and have a postponement for about a week or two, and then probably a second postponement, but we have never gone past a second postponement, which means a month's delay, and then you have your trial. If he doesn't come to the trial you can get judgment and just evict him, break down the door, get in, move his things out on the street.

If he does come, the Court will listen to his side of the story, but the Judge will give you the property depending on the hardship of the case, may give the man two weeks, thirty days or sixty days to get out. I have known everybody to get out. The only trouble they ever had was with an attorney many years ago, Mr. Adaire; you may remember him. He stayed in a property years and years. But usually you can get someone out.

CHAIRMAN LOVETT:

Thank you very much, Arnold.

Any questions from the floor? Let's have some questions from the floor.

DR. GAY:

I should like to ask Mr. Scott about this process of dollar averaging, as a matter of buying common stocks as a hedge. It seems to me they are a hedge only when you finally turn them into cash at such time as the market is very high.

Now, if you are about to do that, is it not an advantage to sell the stocks on a share average rather than a dollar average, turn them over to Mr. Winchester then and put them into bonds?

MR. SCOTT:

I will first of all tackle your question about dollar cost averaging. As a matter of fact, I jotted down an illustration just to show you how this is a check of mathematics as much as anything. But say you had monthly investments and were going to invest a certain amount of money each month and were going to do this over a period of time. Let's take a two-month example. You put $1,000 in stocks these two months, one particular stock. The first month you do this, the stock costs $100 a share—if you want to write this down as we go along—therefore you get 10 shares of stock at a cost to you of $100 each, and that is your $1,000 investment.

Now, for the second month the market is going down and the stock now only costs $50 a share. You are investing another $1,000, so you are putting in the $1,000; that's $50 a share, you get 20 shares. So now for the total of two months you have invested your $2,000, you have a total of 30 shares. Your average price of the two stocks you have paid $100 the first price and $50 the second price, is $75, and you have 30 shares costing $2,000, so your average cost is now, it comes out $66, $67 a share.

So in effect as the market goes lower you are able to buy more shares at the lower cost, and therefore your cost averages down with the market. And if you can keep that up over a period of time you will have a lower cost per share than the actual average price you pay.

DR. GAY:

But you have to wait for the reversal of the trend to get your advantage?

MR. SCOTT:

If the market goes up, if the market stayed high all the time, that would work

against you. Does that answer your question all right?

DR. GAY:

Yes, that answers part of my question. The second part of my question is with regard to selling. Suppose you eventually wish to sell your shares which you have accumulated.

MR. SCOTT:

And you are averaging out on the way up so to speak. Is that what you mean?

DR. GAY:

Yes. When you sell, is it not an advantage to sell by share averages?

MR. SCOTT:

Yes.

DR. GAY:

Rather than the dollar average?

MR. SCOTT:

Yes. At certain levels of the market as it goes up, you could take equal amounts at certain plateaus and average up that way on the way out.

DR. BOINES:

Will you say something about the advantages or disadvantages of buying or selling stock before it splits, or is it better to buy it after it splits?

CHAIRMAN LOVETT:

I will turn that over to Mr. Scott.

MR. SCOTT:

That is a hard question from the fact that on the upward phase of a bull market very often the news of a stock split has led to greater appreciation of the stock, and formally on the announcement of a split there would be a lot of buying in the stock.

The company's argument on splitting stocks I think you find is that when the stocks are high priced it limits public participation. People tend not to buy a stock that costs four or five hundred dollars a share, and you find your larger institutions are buying some of those shares. But once they are split up, say five hundred dollars a share is split ten for one, and it is brought down to fifty dollars, then there is greater public participation.

Now, the big stock, the most widely held public stock, is American Telephone which of course is priced fairly high, and there was recently a vote taken by stockholders, and they voted not to split the stock. And this belies this favorite theory that by splitting it it improves the marketability of the stock.

Now I have talked all around your question, and I won't give you a straight answer because I don't think anyone knows. Very often a stock will run up before a split, then actually come down much lower after it is split up because people decide to sell off a certain percentage of their holdings, and you might take a chance in the kind of market we have now of waiting until after the split and hoping the split shares may drop down a little bit and be able to get more for your money that way.

On the bull market on the way up when a stock was voted a split, it sometimes worked the other way. It would run up on split news and then stay up for a while. But normally it comes down after the stock is split.

So if I were to generalize I would say, whatever you do, don't buy on the news because very often then it is run up, and of course the value of a stock, or the earnings haven't changed any, and it is just for some reason people like the idea of getting more shares in their safety deposit box. But more often than not the stock will fall off in price and return to a more normal level after the split has been declared.

CHAIRMAN LOVETT:

Next question?

DR. CASCELLS:

Would you comment briefly on the formula used to decide whether or not a

stock is over-priced, earnings versus the stock market price?

CHAIRMAN LOVETT:

You seem to be getting all the questions, Mr. Scott. Mr. Scott, can you tell when a stock is over-priced with respect to its earnings?

DR. CASCELLS:

Yes. There is some formula I have heard of as to earnings.

MR. SCOTT:

There is a favorite rule of thumb that 10 times its earnings, in other words, if it earns say $2.00 per share, that the stock selling at twenty of course is equal to ten times the earnings. Now, anything below ten times earnings is considered valuable.

Well, that is the roughest sort of generality because industry-wise, various industries, for instance, sell at various levels of the price of the stock times the earnings, and then beyond that who knows what the psychology is that stockholders or buyers for some reason will value some stocks at forty times earnings today, and tomorrow, because of some psychological change, they will not go near the stock at five times earnings. Of course your averages are priced at certain times earnings, and you can sometimes just from the nature of the market determine whether there are high or low price times earnings. But it is impossible to generalize.

FROM THE FLOOR:

Ten times earnings.

MR. SCOTT:

The figures for rule of thumb is ten times. That I have heard used as often as any. Maybe Mr. Winchester—

MR. WINCHESTER:

I think the ten times earnings rule was based on the theory that formerly companies would pay out about 60% of their earnings, and that would afford a dividend equaling 6% of the purchase price. I think it was more or less related to that.

But I think it might be interesting for you to consider the case of Du Pont. It has sold over many years at an average price of 22 times earnings. So to try to get an idea of when you should buy Du Pont would seem to me to be rather unwise to wait until it got down to 10 times earnings. Now, of course by the same token perhaps when it is selling at 25 to 30 times earnings, as it sometimes has done, would probably be a warning to you.

I think that bears out what Mr. Scott said, that there are some securities that sell as many as forty times earnings, and a change in psychology makes a very different view in the eyes of the public as to what the proper multiplier should be.

CHAIRMAN LOVETT:

I think we will have to bear in mind that there is nothing that you can generalize on this subject because I have known a number of stocks selling at 8 times earnings and they should have been sold long ago or should be sold at the present time.

MRS. POLLAK:

Would you comment on Mutual Funds?

MR. WINCHESTER:

I think Mutual Funds as a whole are all right. I think that you take, for instance, some of those that we know best, like the Massachusetts Investors Fund, the Wellington Fund here near at home, and many of those are very conscientiously managed. They attempt to use all kinds of services, all the information they can possibly get, to bear on the subject at hand, and I believe that a person who has no specific knowledge of stocks might do very well to consider them. They are perhaps not for the person of large means who has any professional knowledge of stocks, but for the person who wants to put away a certain amount each year perhaps they are very good.

MRS. POLLACK:

Are there any drawbacks?

MR. WINCHESTER:

Yes. I think there are drawbacks. Many people don't like the loading fee that is in them. For instance, if you buy a Mutual Fund that sells, we'll say, at twenty-five, you will find that the actual liquidating value of that Mutual is probably only around twenty-three and a half to twenty-four.

Now, a lot of people feel that is a very large amount to pay out. Well, of course the answer of the Mutual Fund people is that that allows them to pay the broker to sell it, and there is then no commission paid when the security is sold.

It also allows the Mutual Fund to make a profit and to establish a large organization to manage all the details that go with investment problems. That is one of the drawbacks that I see. There are some Mutual Funds that—well, I would hardly call them Mutual Funds, but there are some investment trusts that even sell at a discount below their liquidating value. But in some cases that is due to the fact that there is leverage in them. That means that there is prior senior capitalization. And when you have a large decline in stocks, the amount that is attributed to the common, or can be attributed to the common, declines so rapidly that the common loses value. But that is a pretty involved situation to try to explain.

You see, Mutual Funds really started in Scotland, and I believe the experience over there has been quite wonderful over a period of many, many years. And then they became fashionable in this country probably about thirty years ago, and some of them weren't so well thought out. But I think by and large many of them are excellent things to have, particularly if you haven't a great amount of investments to diversify with.

I think Mr. Lovett as a trust officer might comment on what he feels about those.

CHAIRMAN LOVETT:

I think as you do, George, that some of the investment trusts are very sound, where you are not particularly interested in meeting more than an average security situation. I do think there is another class of securities very akin to investment trusts which you might consider, and that is the insurance company stocks, where they draw their revenues from two sources, the underwriting revenues and also large portfolio of diversified investments, and I find that they have very fine investment counsel. I think Mr. Braun will bear me out on that.

I would like to ask one question of Mr. Braun, so he has something to answer here, and one he may have trouble answering. Listen carefully to this situation.

I am thirty-five years of age, have a wife thirty-three years of age, and two children, a girl twelve and a boy ten. My professional income grosses $30,000 a year. My assets aside from my home amount to about $25,000. How much life insurance should I have and what kind? I am going to leave this card here for you to read.

MR. BRAUN:

The best answer I can give this man is I would like to see him for a couple of hours in his home, or office.

There is a reference here first of all to a professional man's income, and I have found in talking to a number of doctors who do not have the death advantages that the Social Security program gives us, that they don't realize the amount of life insurance that would be necessary to create the same death advantages, that is, to our survivors, under the Social Security program.

A man in this position who has two children would probably get in return, that is, his family would get, not referring to his retirement benefits on Social Security, would probably get a little over $33,000 worth of benefits, because if this man were to die now at his age 35, with two children, his widow would receive $200 a month until the oldest child is 18 years of age, and then that would be reduced to $168 a month until the younger child, which was ten, had reached age 18.

To use the same optional modes of settlement of life insurance to provide that would

require $33,000 of base. If a man had younger children, the maximum amount of income which is received by the survivors from the Social Security program is about $56,000. So that if a young doctor who had small children, very small children, were to die without the Social Security benefits, he would have to have $56,000 worth of life insurance to produce the same income that the person insured under Social Security might have.

Using that as a base in this particular man's problem, we have to determine now how much insurance of course is necessary in this man's case. The professional income, of course, grossing $30,000 a year is probably something like three times the amount of income that is necessary to provide the adequate standard of living for his family in the event that he is not around to continue building his estate. So that if an insurance program were going to produce an income of, say, $7,500 tax free for life for his family at his particular age, ignoring the home which they say is worth $25,000 but is not an income producing property, if the family would remain in the home, this man would probably need as a minimum situation about $150,000 worth of life insurance.

Now the question as to what kind is necessary of course is one of those things that there are many arguments about. The least initial outlay type of insurance anybody can buy is the term insurance. Now, of course that is the most expensive life insurance program if you live because that is like renting protection. Term insurance is the same principle as your automobile insurance, or your fire insurance. You are paying for a term of time, and if you don't have an accident in your automobile or if you don't have a fire in your house you have paid for the peace of mind, but there is no return.

Term insurance is doing the same thing on your life. You are renting the protection in the event that you don't have the claim.

On the other hand, if you think of the living values of life insurance, which is the net cost, by paying for more permanent insurance, ordinary life, limited payment life, or one of the endowment or retirement plans, the net cost of the protection if you live of course gives you a return over and above what you paid in premiums.

So that it is a case of you deciding which you think your odds are. I personally think, and statistics in our own industry prove, that term insurance is a bad investment, and they are a bad investment for this reason: Two out of every three doctors, as well as other people, live to reach age 65. Now, because none of us know which ones of us that will be, we buy life insurance, but we are betting against the very fine investment portfolios they have just referred to that the insurance companies have when you are buying term insurance, which increases in cost, of course, the older you get.

Probably the final decision as to how much or what kind of insurance you should have should depend on how the cost of the insurance should fit in with your total investments. Obviously a man who is making $30,000 a year is way beyond the minimum income situation, and that man should be having a very definite established investment portfolio that includes insurance as well as all of the other fine income producing property discussed here so far.

CHAIRMAN LOVETT:

Thank you very much, Mr. Braun.

I want to ask each member of the panel one question—we are close to the end—and I want them to answer yes or no. I am going to start with George Winchester.

In your opinion do you feel that an investment program would produce better overall results if I used a broker, bank or professional investment counsellor than to attempt to manage my own portfolio? I like to read the financial papers and watch the board in a broker's office but I don't seem to find enough time to do a thorough job; yet I am intrigued by the subject. Shall I surrender all interest and pass the buck to somebody else? George, yes or no?

MR. WINCHESTER:

What is the last thing?

CHAIRMAN LOVETT:

Should I surrender all interest and pass the buck to someone else?

MR. WINCHESTER:

I can't answer that yes or no.

CHAIRMAN LOVETT:

How about you, Jay?

MR. SCOTT:

I would have to generalize.

MR. BRAUN:

I cannot answer yes or no.

CHAIRMAN LOVETT:

I will say create an agency account with a bank.

DR. FRELICK:

I think Mr. Braun made a very interesting point, which is quite important to many of us. As you well know, the doctors are the only group not included under Social Security. I would be interested in the panel's feelings about this subject. Are we being foolish in not being under Social Security? And if so, what arguments can those of us who would benefit the most use to persuade the older doctors that we should be?

CHAIRMAN LOVETT:

I take it from your remarks that there is a difference in the ranks of the doctors themselves on the subject.

DR. FRELICK:

Yes.

CHAIRMAN LOVETT:

I am afraid we couldn't answer that. But I think that we would all say that we would be delighted to have the doctors participate in the benefits of the Social Security Act.

MR. WINCHESTER:

Why don't they? Is there any reason why they don't?

DR. FRELICK:

The only reason I have heard is that the older doctors feel that they would like to work after retirement and would therefore not receive the benefits if they didn't work after retirement and die beforehand. Therefore they wouldn't get them.

MR. BRAUN:

May I suggest one of the arguments that has been presented very forecfully by your own association is that in the Social Security Law as now set up there is a definite legislative increase in the tax to pay out eventually these benefits that are continuing to increase. Now, doctors have the same status as professional men, would have the same status under the Social Security Law as any self-employed individual, which means that as an employee of a company I am only paying one-half of my tax and my employer is paying the other half. And today I am paying my half of the tax which is two and a quarter per cent. As that projection goes on, as it is written in the original law, that tax is going to be four or five times, and it is going to have to be four or five times that amount.

So the professional doctor has said, let's look at the time when we are going to have to pay those higher taxes, without having the advantage of having some employer share the cost with us. And they think that they can do better with their funds by taking advantage of this retirement income credit, for example, that has been written into the law to give the doctors a certain advantage at retirement. That doesn't give the estate the advantages of life insurance, but it does give that particular advantage. And that is one of the reasons and the main reason that the American Medical Association as a rule has been opposed to being included under the Social Security program. And that would become very costly if it projects into 1990 as expected.

CHAIRMAN LOVETT:

Thank you very much.

Dr. Washburn, do you have a question?

(Continued on page 24)

+ *Editorials* +

MEDICAL ECONOMICS

The recent reader's poll conducted by The Journal disclosed two interesting facts. The majority of those who answered the questionnaire are regular readers of the New England Journal of Medicine. They desire that the Delaware State Medical Journal publish articles concerned with business in general as well as the business side of medicine.

Independently, President Murray arranged an outstanding program for the Annual Meeting. Papers on business subjects presented by prominent Wilmington businessmen were featured.

We are happy to present in this issue the symposium "The Doctor's Investment Program". It is hoped that this will be the beginning of a series of articles on business subjects. This is *your* Journal.

ARTERIAL HYPERTENSION

Since the acceptance of the sphygmomanometer into clinical medicine over fifty years ago, elevation of the blood pressure has become a subject of increasing and major importance. In this time, little progress has been made in its treatment. With the exception of those few individuals in whom a cause can be discovered and remedied (coarctation of the aorta, pheochromocytoma, unilateral renal disease, Cushing's syndrome) the treatment has for the most part been symptomatic and unsatisfactory.

Thirty years ago it was demonstrated that limitation of salt intake was beneficial in this condition. Because of various factors, however, this method was not considered to be satisfactory. Recently, a combination of laboratory and clinical investigation has resulted in a simple practical means of lowering the blood pressure through utilization of this basic principle.

The Journal is happy to present an early evaluation of this method.

DR. WASHBURN:

Mr. Chairman, I would like to say to this group that in the Journal of the American Medical Association for this week this subject is discussed fully and the reasons why organized medicine is opposed to being required to come under the provisions of Social Security are, first, that anyone who is a Doctor of Medicine may elect to put himself under the provisions of Social Security if he so desires. That is one thing. Well, that is a statement in itself.

Secondly, that the overwhelming reason why the American Medical Association and by action of its House of Delegates on more than one occasion, and by action of the Board of Trustees has voted against it, is that in general the American Medical Association considers that Social Security is one more of these very powerful weapons which eventually is going to take us as a people into a socialistic state.

Now, these other reasons that have been advanced by doctors is that first of all if they are compelled to participate under the rules of Social Security, as a practical matter they will be adversely and inequitably affected financially because, as a practical matter, most of the doctors who do survive to 65 and older continue to practice and therefore will be compelled to pay the rates and not be permitted to reap the benefits which are available to those who have been in industry. Those are the financial reasons.

But the underlying reasons are as I have expressed, that we feel, and I agree, that this represents that which has been done in other countries and has inevitably led them toward that which we feel is something which we wish to avoid in our country.

Thank you, sir.

CHAIRMAN LOVETT:

Thank you. I believe if I am not mistaken that the Ministers of the Gospel have the right to make a choice now of their own as to whether or not they go in or stay out. And I presume that is what you mean, that the option could be left to the doctors.

MR. WASHBURN:

Yes.

CHAIRMAN LOVETT:

But not to make it compulsory for the whole profession.

MR. WASHBURN:

That is it.

DR. FRELICK:

Are the bankers included and if so are they fearful of socialism?

CHAIRMAN LOVETT:

Yes, we are included in the Social Security Act, not by reference to ourselves but automatically. We are all under the Social Security system, and are contributors as well as beneficiaries.

I don't think the subject of the reach of government, which is of great concern to the bankers, by the way, in all of its aspects, was particularly a subject for consideration in that respect.

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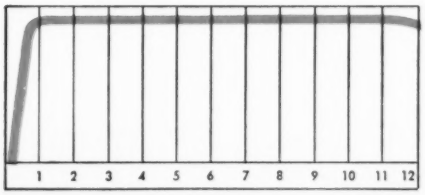

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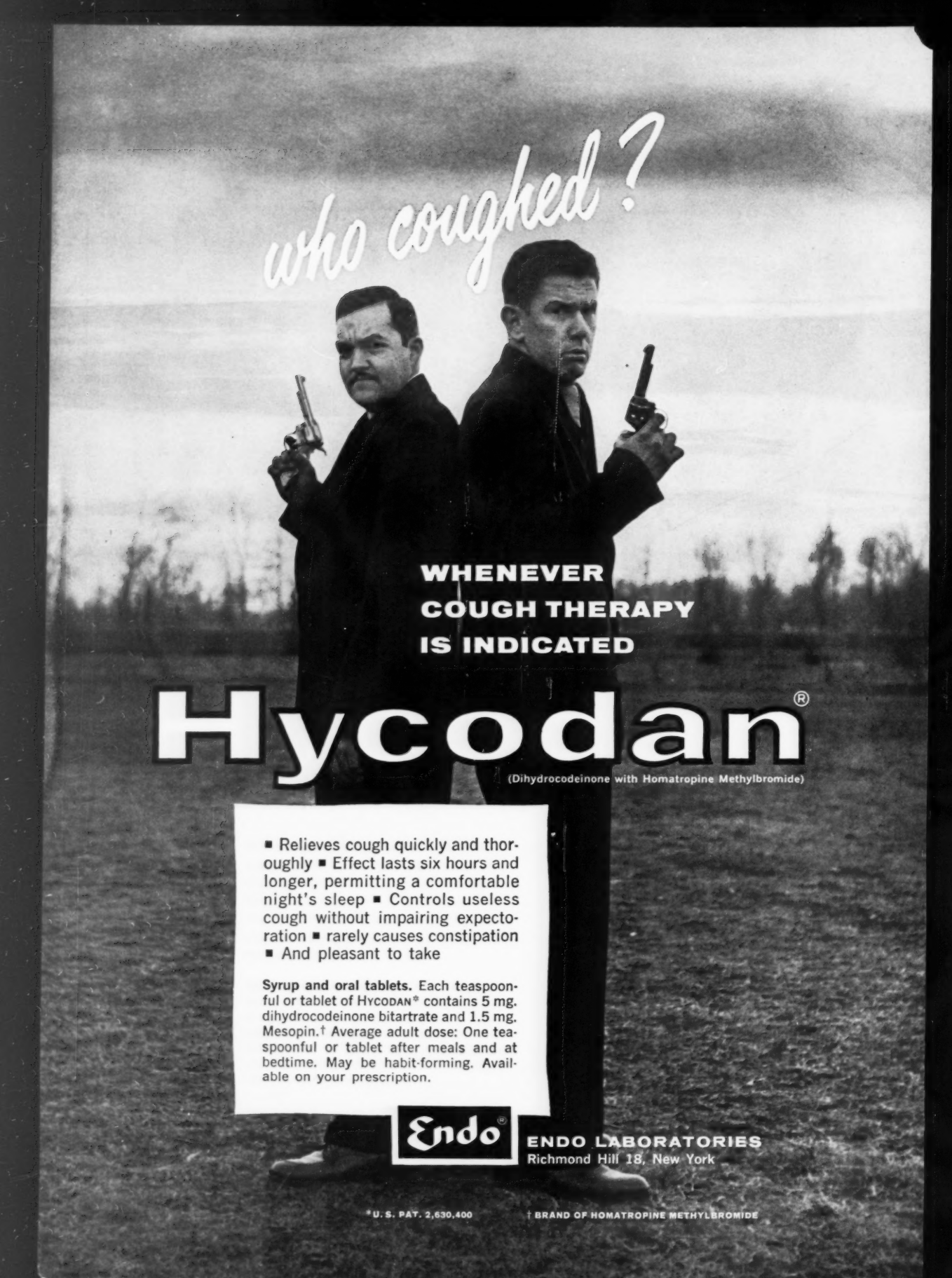
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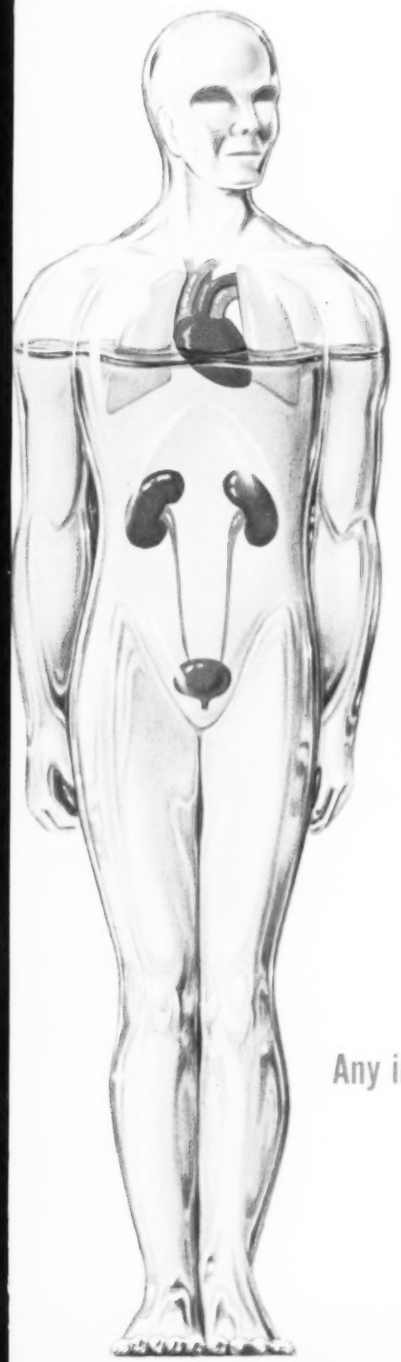

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initiation of diuresis – prolonged maintenance[2] of diuresis

balanced excretion of sodium and chloride

Even in the presence of severe renal, cardiac or hepatic damage–

Any indication for diuresis is an indication for 'DIURIL':

1. Congestive heart failure of all degrees of severity
2. Premenstrual syndrome (edema)
3. Edema and toxemia of pregnancy
4. Renal edema—nephrosis; nephritis
5. Cirrhosis with ascites
6. Drug-induced edema

May be of value to relieve fluid retention complicating obesity

MSD
MERCK SHARP & DOHME

DIURIL is a trade-mark of Merck & Co., Inc.

In hypertension

'DIURIL'

CHLOROTHIAZIDE

Provides basic therapy to improve and simplify the management of hypertension

enhances markedly the effects of the antihypertensive agents

reduces dosages of other agents below the level of serious side effects

smoothes out blood pressure fluctuations[1,2]

'DIURIL', added to the regimen is often effective in controlling the blood pressure of even highly resistant cases of hypertension

For smooth, sustained antihypertensive effect, the majority of hypertensive patients can be controlled better when 'DIURIL' is combined with significantly reduced amounts of antihypertensive agents

Recommended dosage range: in hypertension—one 250 mg. tablet 'DIURIL' b.i.d. to one 500 mg. tablet 'DIURIL' t.i.d.

Supplied: 250 mg. and 500 mg. scored tablets 'DIURIL' (chlorothiazide), bottles of 100 and 1000.

References

1. Hollander, William, and Wilkins, Robert W.: Chlorothiazide: A New Type of Drug for the Treatment of Arterial Hypertension, Boston Medical Quarterly 8:69 (Sept.) 1957.
2. Freis, Edward D., and Wilson, Ilse M.: Potentiating Effect of Chlorothiazide (DIURIL) in Combination with Antihypertensive Agents, a Preliminary Report; Med. Annals of the District of Columbia 26:468 (Sept.) 1957.

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CHLOROTHIAZIDE

a major breakthrough in the management of two major medical problems

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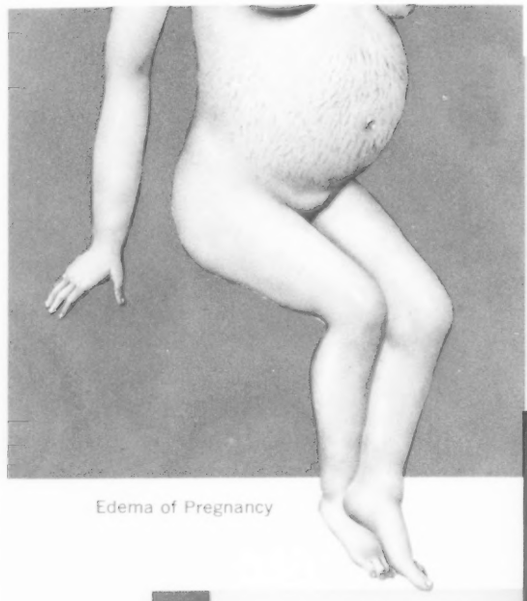
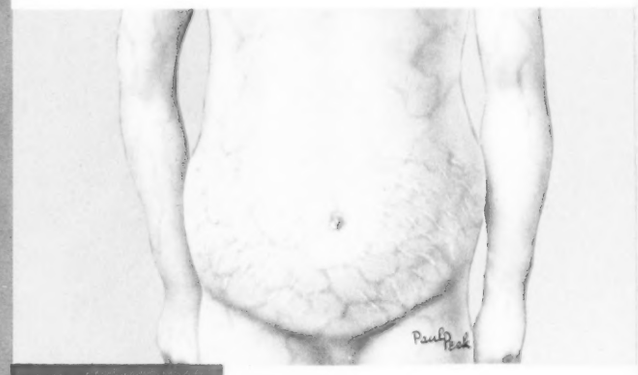
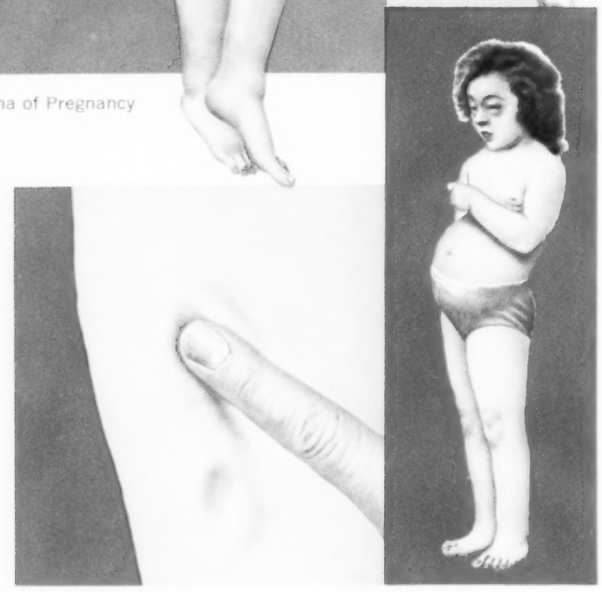


Edema of Pregnancy

Cirrhosis





Cardiac Edema

Nephrosis

Obesity with Fluid Retention

RECOMMENDED DOSAGE RANGE: in edema—one 500 mg. tablet 'DIURIL' to two 500 mg. tablets 'DIURIL' once or twice a day.

SUPPLIED: 250 mg. and 500 mg. scored tablets of 'DIURIL' (chlorothiazide), bottles of 100 and 1000.

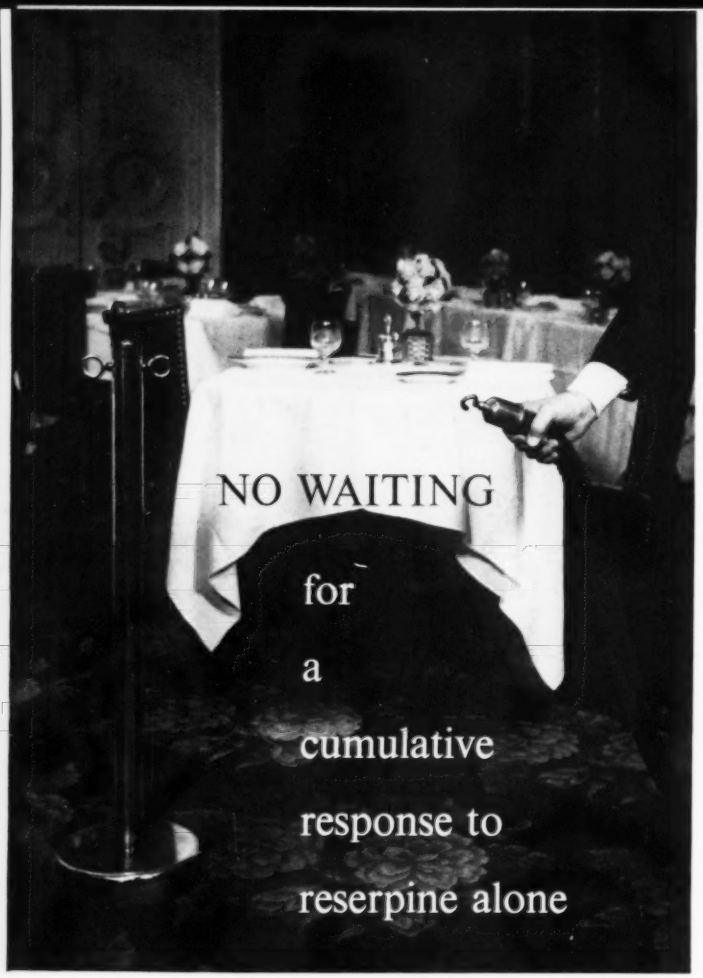
'DIURIL'

Merck Sharp & Dohme Philadelphia 1, Pa.
Division of Merck & Co., Inc.

REFERENCES:

1. Moyer, J.H., Ford, R.V., and Spurr, C.L.: Pharmacodynamics of Chlorothiazide (Diuril), An Orally Effective Non-Mercurial Diuretic Agent, Proc. Soc. Exper. Biol. and Med. *95*:529 (July) 1957.

2. Ford, Ralph V., Handley, Carroll, Moyer, John H., and Spurr, Charles L.: Chlorothiazide, An Orally Effective Non-Mercurial Diuretic Agent, Med. Rec. and Ann. *51*:376 (April) 1957.



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Calmer days, more restful nights starting *first* day of treatment, through synergistic action of HARMONYL (Deserpidine, Abbott) and NEMBUTAL (Pentobarbital, Abbott). Lower therapeutic doses, lower incidence of side effects. Each HARMONYL-N Filmtab contains 30 mg. NEMBUTAL Calcium and 0.25 mg. HARMONYL. Each HARMONYL-N *Half-Strength* Filmtab combines 15 mg. NEMBUTAL Calcium and 0.1 mg. HARMONYL. Abbott

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Relieve moderate or severe pain

Reduce fever

Alleviate the general malaise of upper respiratory infections

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WITH

CODEINE PHOSPHATE*

maximum codeine analgesia/optimum antipyretic action

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Symbols OF PROVEN PAIN RELIEF

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gr. ½

gr. ¼

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Formulas for dependable relief...

...from moderate to severe pain complicated by tension, anxiety and restlessness.

'CODEMPIRAL'® NO. 3*

Codeine Phosphate	gr. ½
Phenobarbital	gr. ¼
Acetophenetidin	gr. 2½
Aspirin (Acetylsalicylic Acid)	gr. 3½

'CODEMPIRAL'® NO. 2*

Codeine Phosphate	gr. ¼
Phenobarbital	gr. ¼
Acetophenetidin	gr. 2½
Aspirin (Acetylsalicylic Acid)	gr. 3½

...from pain of muscle and joint origin, simple headache, neuralgia, and the symptoms of the common cold.

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Acetophenetidin	gr. 2½
Aspirin (Acetylsalicylic Acid)	gr. 3½
Caffeine	gr. ½

...from mild pain complicated by tension and restlessness.

'EMPIRAL'®

Phenobarbital	gr. ¼
Acetophenetidin	gr. 2½
Aspirin (Acetylsalicylic Acid)	gr. 3½

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new for angina

PETN + ATARAX®
(PENTAERYTHRITOL TETRANITRATE) (HYDROXYZINE)

CARTRAX*

links
freedom from
anginal attacks

with a shelter of
tranquility

In pain. Anxious. Fearful. On the road to cardiac invalidism. These are the pathways of angina patients. For fear and pain are inexorably linked in the angina syndrome.

For angina patients—perhaps the next one who enters your office—won't you consider new CARTRAX? This doubly effective therapy combines PETN (pentaerythritol tetranitrate) for lasting vasodilation and ATARAX for peace of mind. Thus CARTRAX relieves not only the anginal pain but reduces the concomitant anxiety.

Dosage and supplied: begin with 1 to 2 yellow CARTRAX "10" tablets (10 mg. PETN plus 10 mg. ATARAX) 3 to 4 times daily. When indicated, this may be increased for more optimal effect by switching to pink CARTRAX "20" tablets (20 mg. PETN plus 10 mg. ATARAX.) For convenience, write "CARTRAX 10" or "CARTRAX 20." In bottles of 100. CARTRAX should be taken 30 to 60 minutes *before* meals, on a continuous dosage schedule. Use PETN preparations with caution in glaucoma.

"Cardiac patients who show significant manifestations of anxiety should receive ataractic treatment as part of the therapeutic approach to the cardiac problem."[1]

1. Waldman, S., and Pelner, L.: Am. Pract. & Digest Treat. *8*:1075 (July) 1957.

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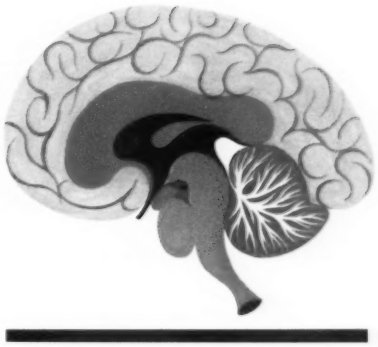
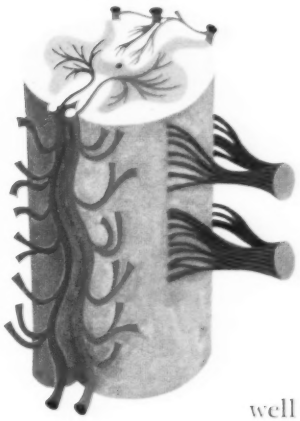
relaxes both mind & muscle

without impairing mental or physical efficiency





well tolerated, relatively nontoxic / no blood dyscrasias, liver toxicity, Parkinson-like syndrome or nasal stuffiness / well suited for prolonged therapy

Supplied: 400 mg. scored tablets, 200 mg. sugar-coated tablets. *Usual dosage:* One or two 400 mg. tablets t.i.d.

For anxiety, tension and muscle spasm in everyday practice.

Miltown®

tranquilizer with muscle-relaxant action

2-methyl-2-**n**-propyl-1,3-propanediol dicarbamate

THE ORIGINAL MEPROBAMATE

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CM-6058

Anxiety of pregnancy

'Miltown' therapy resulted in complete relief from symptoms in 88% of pregnant women complaining of insomnia, anxiety, and emotional upsets.*

'Miltown' (usual dosage: 400 mg. q.i.d.) *relaxes* <u>*both*</u> *mind and muscle* and alleviates somatic symptoms of anxiety, tension, and fear.

'Miltown' therapy does not affect the autonomic nervous system and *can be used with safety throughout pregnancy.**

*Belafsky, H. A., Breslow, S. and Shangold, J. E.: Meprobamate in pregnancy. Obst. & Gynec. 9:703, June 1957.

Miltown®

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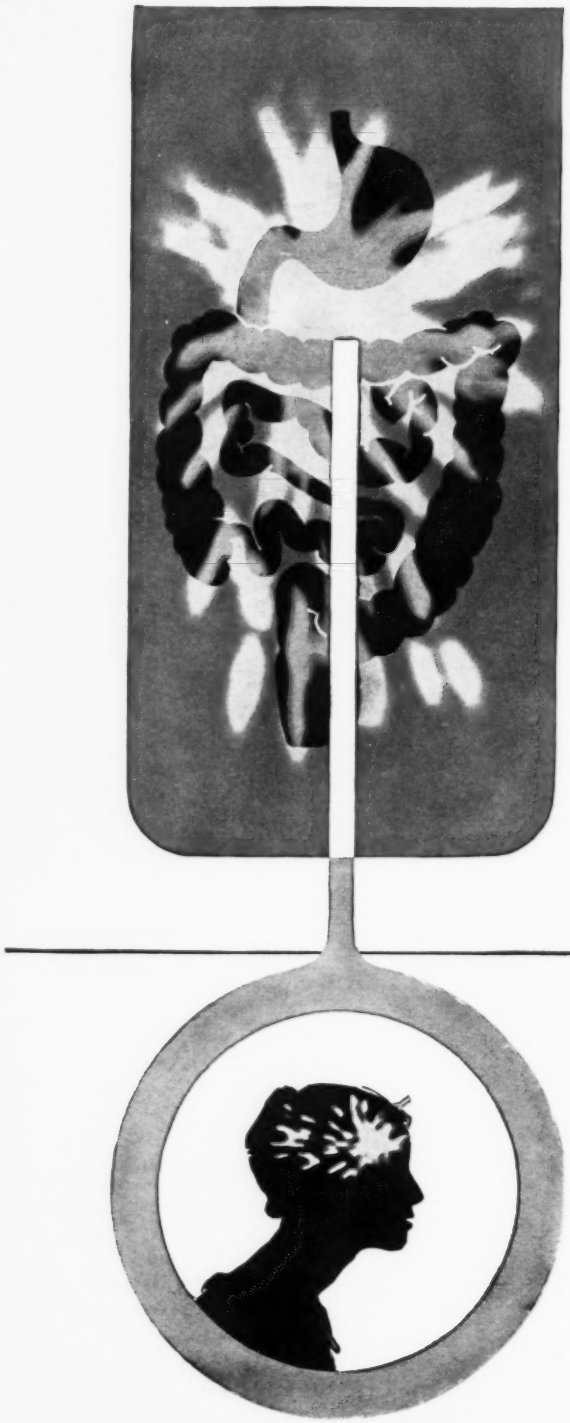

in G.I. disorders

'Compazine' controls tension —often brings complete relief

In such conditions as gastritis, pylorospasm, peptic ulcer and spastic colitis, 'Compazine' not only relieves anxiety and tension, but also controls the nausea and vomiting which often complicate these disorders.

Physicians who have used 'Compazine' in gastrointestinal disorders —often in chronic, unresponsive cases—have had gratifying results (87% favorable).

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